

FRANCE CRUSHES SOUTH AFRICA



Herald



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TODAY:
Champions Page 18
JOEY

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8 Big Powers Back NATO In Warning To Milosevic

Serb Attacks in Kosovo Must End Immediately, They Say After Meeting

By Craig R. Whitney
New York Times Service

LONDON — Reinforcing NATO's threat of military action to halt the violence in Kosovo, the United States, Russia and six other major industrial democracies demanded on Friday an immediate end to Serbian attacks on ethnic Albanian civilians in the province.

Foreign ministers of the eight countries gave President Slobodan Milosevic of rump Yugoslavia until Tuesday to announce that he had called off the offensive.

He is expected to see President Boris Yeltsin of Russia, the country most hesitant to consent to the use of force against Serbia, in Moscow that day.

But Russia joined Friday in urging Mr.

G-8 votes to deny nonhumanitarian loans to India and Pakistan in retaliation for nuclear tests. Page 2.

Milosevic to use that occasion to announce agreement on the other demands by the eight countries, six of which also have an international mandate to monitor events in the Balkans closely.

Those other demands were to allow unimpeded and continuous access to Kosovo for international monitors, to let tens of thousands of refugees return to their homes with international aid and to resume dialogue with the Kosovo leadership under Ibrahim Rnogova.

About 250 people have been killed in the fighting so far, international officials say.

"President Milosevic will be making a grave mistake if he imagines the international community will be as slow to respond in Kosovo as it was in Bosnia," the British foreign secretary, Robin Cook, said after the meeting Friday. It was originally called to coordinate the international response to nuclear weapons tests last month by India and Pakistan.

The ministers also urged the International Criminal Tribunal for the former Yugoslavia in The Hague to extend its work to cover crimes against humanity in Kosovo by Serb commanders and their political leaders.

France, which like Russia has been insisting on a UN Security Council resolution authorizing the use of force in Kosovo before any NATO air strikes or peacekeeping missions can be decided, said that the statement Friday indicated that Russia would deliver a strong message to Mr. Milosevic in Moscow next week.

The Russian foreign minister, Yev-

See KOSOVO, Page 4



Soldiers and Protesters Clash in Jakarta

A demonstrator kneeling before Indonesian troops as they try to remove him from the grounds of the Foreign Ministry in Jakarta on Friday. He was one of 1,000 East Timorese students calling for a referendum on East Timor. Page 4.

Serbs Laying Minefields

Evident Aim Is to Cut Kosovo Links to Albania

By Chris Hedges
New York Times Service

KUKES, Albania — The Yugoslav Army is planting land mines along the Kosovo border with Albania, apparently in an effort to stop ethnic Albanian from fleeing and also to block the return of thousands of Kosovar inhabitants who have fled to Albania, according to European military observers.

President Slobodan Milosevic's orders to mine the border, which stretches about 130 kilometers (75 miles), could lead to an expansion of the latest Balkan conflict.

This could occur if the ethnic Albanian separation turn to Macedonia to replace Albania as a route for smuggling weapons and volunteers from abroad into Kosovo.

An increase in the presence of armed rebels in western Macedonia, where there is a big concentration of ethnic Albanians, might raise border tensions.

induce ethnic Albanians in Macedonia to join the already mushrooming Kosovo Liberation Army and eventually draw Macedonia into the conflict.

"Milosevic is once again sowing the seeds of war," said a European observer. "He wants to solve the conflict in Kosovo militarily and fails to understand that each time he brings down the hammer, new fires pop up all around him."

United Nations troops, including American soldiers, are stationed along the Serbia-Macedonia border to prevent military clashes over contested territory.

That mission, alliance planners said, may have to be bolstered to prevent Macedonia from becoming a staging area for the rebels.

There are reports, Western diplomats said, that the Kosovo Liberation Army has already used the Macedonian border

See MINES, Page 4

Weak Yen Poses Worldwide Risk

By Sheryl WuDunn
New York Times Service

TOKYO — The Japanese government conceded Friday that the world's second-largest economy had sunk into recession, the first one it has acknowledged in 23 years and the worst in the postwar era, and it expressed concern that its plummeting currency could pose a challenge for the global economy.

Officials said that the economy had contracted 1.3 percent in the first three months of this year from the previous quarter — a stunning annual rate of 5.3 percent. For the financial year that ended March 31, Japan's economy retreated 0.7 percent, the first full-year decline since 1973, when oil prices soared after the Arab-Israeli war.

Such dismal performance, weaker than most economists had expected, underscored the risk that a recession in an economic giant like Japan — with an economy twice the size of the rest of the Asian economies put together — could further damage conditions around Asia and spread the economic virus from Asia to the United States and Europe.

Japanese officials took care to make public the news after the stock market had closed, but concerns about the economy and the weakening yen have already caused markets to fall in much of Asia. The Seoul stock market tumbled 8 percent Friday, while in Tokyo, the Nikkei Stock Average dipped below 15,000 in the morning before closing at 15,022.30, up 8.3 points.

The fear is that a weaker yen will make Japanese products cheaper and more competitive, thus hurting the economies of such countries as South Korea, China and Thailand — and, much more distantly, the United States and European nations.

Japanese officials again warned Friday that the yen was falling too far and too fast. It now takes about 144 yen to buy one dollar, meaning that the yen has fallen 80 percent since its peak in 1995.

"I don't think it will cause a minus effect on the Japanese economy," Koji Omi, head of the Economic Planning Agency, said of the weak yen Friday, according to Kyodo News Service.

But it poses problems, he added, "for the whole of the world economy."

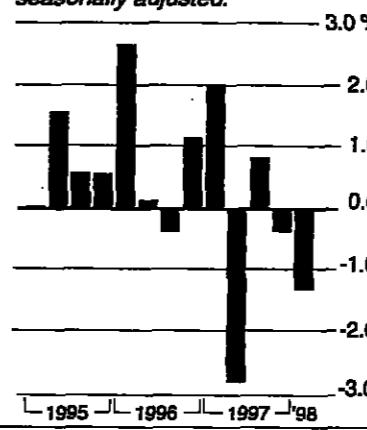
Some economists say they believe Japan's economy may recover in the short term, in part because of a huge fiscal stimulus package that will begin to be felt in the next few weeks. But others warn that Japan is teetering on the edge of a much greater tumble.

"Things could fall apart very quickly here," said Brian Rose, an economist at LTCB Warburg Securities Ltd., "and Japan could go like other countries in Asia — completely fall apart, or it could linger on."

Mr. Rose noted that Japan's economy

Japan in a Slump

Quarterly percentage change in Japan's gross domestic product, seasonally adjusted.



Source: Bloomberg



A Tokyo trader making hand signals Friday as the yen fell yet again.

World Markets Shudder

But Late Rally on Wall Street Turns the Tide

Compiled by Our Staff From Dispatches

The Dollar
New York Friday 6:4 PM. previous close
DM 1.8054 1.8078
Yen 144.33 143.98
FF 6,0553 6,0635
Pound 1.6335 1.6275
Dollars per pound

The Dow		
Friday close	percent change	
+23.17	8,834.94	+0.26%
	S&P 500	
+4.29	1,098.82	+0.39%

red at an annual rate of 5.3 percent in the first quarter of this year.

The world's second largest economy after the United States also shrank in the fourth quarter of 1997. Two consecutive quarters of contraction is the standard definition of a recession.

"The GDP data was worse than expected and the Japanese economy is looking in quite big trouble," said James McKay, European economist at Commonwealth Bank of Australia in London.

The data gave weight to fears that Japan may not be able to kick-start a recovery in Asia despite the announcement in April of a 16 trillion yen (\$113.07 billion) stimulus package.

Analysts warned of the imminent threat of another wave of currency devaluations in the region with increasing evidence that the financial crisis has started to feed upon itself.

The dollar climbed to 144.33 yen in late New York trading, compared with

See MARKETS, Page 12

Show of Force In Nigeria Halts Protests

By Tim Sullivan
The Associated Press

LAGOS — Nigerian riot policemen firing into the air and unleashing tear gas broke up protests in Lagos with a show of force Friday, wrecking opposition plans for a mass anti-government demonstration.

Pro-democracy campaigners and other government opponents calling for an end to military rule had planned to take to the streets in protest. They were confronted by a wall of police and army force in Lagos, Nigeria's commercial hub.

Faced with his first major test — the prospect of defiant opposition — General Abdulsalam Abubakar responded with enough force to quell any hopes of a meaningful anti-government demonstration.

The police arrested Gani Fawehinmi, a lawyer and leading dissident who had organized the protests, his aides said Friday. They also arrested Dupe Abiola, one of the wives of the imprisoned businessman Moshood Abiola, the presumed winner of the canceled 1993 elections.

Mr. Fawehinmi, arriving at the scene of one of the protests, was lifted onto the shoulders of three men, witnesses said. The crowd began to cheer support for Mr. Fawehinmi, who was then arrested with the men carrying him.

See LAGOS, Page 5



France Wins Opener, 3-0 Against S. Africa

Compiled by Our Staff From Dispatches

MARSEILLE, France — France, the host, beat South Africa 3-0, in a windblown World Cup match Friday.

On a night when the Mistral blew strongly through Marseille, both teams expended a great deal of energy without generating much coherent soccer.

Christophe Dugarry, who had come on as a substitute only eight minutes earlier, gave France the lead in the 34th minute with a back-header from a corner.

Only a minute after coming on, Dugarry broke in alone on the South African goal, but Hans Vonk, the South

FRANCE 3, SOUTH AFRICA 0

African goalie, raced to the edge of the penalty area to dive at Dugarry's feet and block the shot.

In the last stages of the game the French took control. Dugarry wrestled for the ball in the South African penalty area and then rolled it to Youn Djorkaeff, who shot weakly. As Vonk dove, Pierre Issa, a defender, deflected the ball over the goalline. In the final minute, Thierry Henry broke clear and clipped the ball over Vonk.

Three French midfielders, Emmanuel Petit, Didier Deschamps and Zinedine Zidane, collected three yellow cards.

(AP, PA)

Christophe Dugarry (No. 21) celebrating his goal with his French teammates

By John Pomfret and Michael Laris
Washington Post Service

BEIJING — Over a plate of pork and garlic shoots, Li Guoqiang, an office worker dining at a restaurant in central Beijing, nodded vigorously when asked if President Bill Clinton should visit Tiananmen Square.

"You know he's got to mention 6-4," Mr. Li said, using the Chinese shorthand for the crackdown at Tiananmen Square on June 4, 1989. "None of our leaders are mentioning it, but he will. We

need someone to bring it up and I'm sure he will do it."

Mr. Li, 43, said he was among the hundreds of thousands who flocked to the square during the late spring of 1989 to participate in student-led demonstrations against corruption, inflation and the domination of everyday life by the Communist Party.

He said he visited the square until June 3 and then spent the night at home because a relative in the army had tipped him off that a crackdown was coming. He said he lost two friends in the ordeal.

"You know, this place is a sacred ground for us,

especially those of us who lost people," he said. "The government has tried to make everyone forget. But it just can't. Clinton could help us to remember."

Last week, when the U.S. House of Representatives passed by a vote of 305 to 116 a nonbinding resolution urging Mr. Clinton not to attend his official welcoming ceremony in Tiananmen Square, the opinions of Chinese such as Mr. Li did not appear to figure in their deliberations. Although many leading Chinese exiles have condemned Mr. Clinton's plan, people across the

See CHINA, Page 5

Newstand Prices	
Andorra	10.00 FF Lebanon LL 3,000
Antilles	12.50 FF Morocco 16 Dh
Cameroon	1,800 CFA Qatar 10.00 QR
Egypt	2E 5.50 Réunion 12.50 FF
France	

New Republic Details Extent of Rogue Reporter's Fictional Writing

By Howard Kurtz
Washington Post Service

WASHINGTON — The New Republic has finished sifting through the journalistic wreckage left behind by Stephen Glass, and the findings are not pretty: Two-thirds of the 41 stories he wrote for the magazine were at least partly fabricated.

"Six articles — three of which the magazine had already acknowledged as fake — could be considered entirely or nearly entirely made up," the New Republic says in next week's issue.

Many others were "a blend of fact and fiction," the magazine said. "We offer no excuses for any of this, only our deepest apologies to all concerned."

Mr. Glass did not contest the findings and apologized this week in a private letter to the magazine's editor, Charles Lane, and the owner and editor-in-chief, Martin Peretz. Mr. Lane said Thursday.

Since being fired as associate editor last month, Mr. Glass, 25, has told two acquaintances that he is under a suicide watch, accompanied by

someone at all times. "I'm going through this process of trying to figure myself out," he told one.

Mr. Glass's attorney, Gerson Zweifach, said his client had no immediate plans to offer a public explanation. He said Mr. Glass "has asked me to cooperate with the New Republic and George and provide them with any information they need to make whatever they write about his work as accurate as possible." George magazine has said Mr. Glass used two fabricated quotes in a profile of Vernon Jordan.

"We are doing what we can to set the record straight and lay out the facts so people can make up their own minds," said Mr. Lane, who examined Mr. Glass's pieces with six other editors. "We have never tried to deny that anything was wrong." He blamed Mr. Glass's successful faker on "malfunctioning BS detectors on the part of the editors and a person whom we trusted who turns out not to be worthy of trust."

"Hey, we should have done a better job," Mr. Lane said. "There's no way around that."

The sheer breadth of Mr. Glass's deceptions is

stunning, his stories bursting with too-good-to-be-true anecdotes that were just that.

The New Republic offered several examples of Mr. Glass's fiction writing in the 27 discredited pieces since late 1996. In "Peddling Poppy," an account of a Hofstra University conference on the Bush presidency, Mr. Glass

invented the following: "The First Church of George Herbert Walker Christ"; "Mary Ung," of the "Committee for the Former President's Integrity"; and "a small sky-diving industry newsletter" called "Jump Now."

M. Glass had "Ung" begging reporters to cover a "sad little tableau" of five children in wheelchairs — one white, two Asian, two black — meant to symbolize the Americans With

Disabilities Act. When the white child leaves, "Ung" says, "Oh, my God. I need a white person," then asks Mr. Glass to get in the wheelchair and hold the American flag.

In "Don't You D.A.R.E.," an examination of an anti-drug program, Mr. Glass "fabricated" some of the persons who purportedly had negative experiences with D.A.R.E. These included "James, a television news producer" and "Daniel, a young professor at Illinois college" who "asked that his last name not be used, since he is up for tenure" and "nervous about adverse publicity." Also nonexistent were an "NBC employee" and a "Justice Department official."

"Anatomy of a Policy Fraud," while containing largely "valid reporting" on the Clinton administration's crime initiatives, used such made-up sources as the "Cops & Justice Foundation," a supposed Republican poll on crime; "Donny Tye, a former California police officer," and a "senior Justice staffer."

The magazine offered few details about the six articles deemed to be wholly or largely fabricated. In "Clutch Situation," soon after the

Monica Lewinsky story broke, Mr. Glass described one White House intern, who "begged not to be identified," whipping out a napkin with President Bill Clinton's autograph to impress women. He also described a scene at Cities in the Adams Morgan neighborhood of Washington: "Three twentysomethings sit hunched over a small table, taking frequent drags on Camel Lights, nursing vodka martinis, and feverishly speculating about the details of President Clinton's sex life."

In "All Wet," an essay on global warming, Mr. Glass invented such groups as "Climate Lookout," "Truth in Science" and the "Association for the Advancement of Sound Water Policy." In an ironic twist, he said he had called the association "and asked them to explain the dangerously low rainfall in Werry, Iowa — a fictitious town."

How could all this have happened? Mr. Lane says Mr. Glass "deliberately deceived the fact-checkers" with forged notes, fabricated documents, fake press releases and, in one case, a bogus Web site.



Activists in Manila protesting U.S. influence in the country during the anniversary celebrations Friday.

Philippines Marks 100th Anniversary

The Associated Press

MANILA — As brass bands played, President Fidel Ramos jubilantly waved a Philippine flag from a balcony Friday in a re-enactment of the country's declaration of independence from Spain 100 years ago.

Church bells pealed throughout the Philippines and government offices offered free food as Filipinos commemorated the climax of Asia's first revolution against Western colonial rule.

Mr. Ramos urged the nation to use its hard-won independence as an inspiration in overcoming the impact of the Asian financial crisis.

"We have successfully won back the dignity of our race and respect for our

country," said Mr. Ramos, whose term ends June 30.

Mr. Ramos waved the flag from the balcony of a house in Kawit town in Cavite Province, south of Manila, where the revolutionary leader General Emilio Aguinaldo proclaimed independence on June 12, 1898. The Philippines had been a Spanish possession since 1565.

More than 30 countries sent representatives to join the celebration, which included a fireworks display over Manila Bay.

Leftist groups under the New Patriotic Alliance planned an "alternative" celebration with a protest march to the U.S. Embassy. Leaders of the alliance said they wanted to highlight the

United States' subsequent takeover of the Philippines.

In 1892, Filipino nationalists established a secret society called the Katipunan, which prepared for armed rebellion against Spain. The revolt erupted four years later and spread rapidly through much of the country.

Spain, unwilling to hand over power to the Filipino revolutionaries, ceded the country to the United States for \$20 million in December 1898.

The following year, hostilities broke out between Filipinos and U.S. forces sent to occupy the new colony.

The United States formally granted the Philippines independence in 1946, but American influence remains strong.

David English Dies; Editor of Daily Mail

By Youssef M. Ibrahim
New York Times Service

LONDON — Sir David English, 67, considered one of Britain's most astute journalists, who transformed The Daily Mail into a highly influential Fleet Street standards for editing and reporting, died of a stroke Wednesday.

Sir David was editor of The Daily Mail for 21 years. An ardent supporter of Prime Minister Margaret Thatcher, he was knighted by her in 1982 and was to have been made a life peer Saturday.

He had a reputation for ruthlessness and zealous news coverage that stemmed from his days as a young reporter, when he once stole mailbags from the state-owned British Rail for an article about its sloppy security.

Sir David joined The Daily Mail's parent, Associated Newspapers, in 1969. He became editor in 1971, and in 1992 he was appointed overall editor of the newspaper company, which also owns The Mail on Sunday and The Evening Standard.

He started his journalism career as a copy boy for a local paper, The Bournemouth Evening Echo. His big breaks came as a foreign correspondent for The Sunday Dispatch, where he was remembered for breaking a story about Errol Flynn's sex life.

By age 30, he was Washington correspondent for The Daily Express, which later named him chief U.S. correspondent and eventually promoted him to foreign editor.

In 1968, he was recruited to be editor of The Daily Sketch, which was merged with The Daily Mail a few years later.

Sir David made his mark by engineering the paper into a tabloid to serve what he called "Middle England," the sort of silent majority of the British populace with which he most closely identified.

Catherine Cookson, 91, Author of 100 Novels

LONDON (AP) — Dame Catherine Cookson, 91, whose novels about working-class hardships in 19th-century England made her one of Britain's most popular writers, died Thursday.

She was the author of 100 novels that combined sold more than 100 million copies in 18 languages. Among the most popular of her books are "Kate Hannigan," "Bill Bailey" and the "Mallen" trilogy.

Thomas Narcejac, 89, co-author with Pierre Boileau of more than 40 best-selling thrillers, died in Paris. Their best-known works were "The One Who Passed Away" and "Death's on the Trip." (AP)

Thomas Narcejac, 89, co-

Away From Politics

• The U.S. Air Force says it has successfully conducted its first tests of a laser designed for warplanes to shoot down ballistic missiles, an important first step toward an airborne defense system within a decade. (AP)

• A dozen climbers were caught in an avalanche nearly 12,000 feet up Mount Rainier, and six of them were unable to stop their falls. One person was killed and five were injured. The man who died had fallen the farthest and spent several hours dangling by a rope off a rock formation called Disappointment Cleaver. (N.Y.T.)

• A man who killed two people in robberies in 1986 was executed on his 33rd birthday in Huntsville, Texas. Clifford Boggess smiled, greeted witnesses with a cheerful "Hi!" and apologized for the murders before he was given a lethal dose of drugs. (AP)

• Direct humanitarian aid from the United States arrived in Cuba for the first time in two years when a DC-6 propeller plane chartered by Catholic Relief Services landed in Havana with about \$800,000 worth of medicines and medical supplies. (AP)

• Jet Skis and other so-called personal watercraft have been prohibited within 1,200 feet of shore in 11 areas in the Florida Keys from Key Largo to Key West because of the noise and the danger to wildlife. (AP)

• Thomas Narcejac, 89, co-

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Unwanted War: A Minor Dispute Over Land Traps Eritrea and Ethiopia

By James McKinley Jr.
New York Times Service

NAIROBI — The undeclared border war between Eritrea and Ethiopia is a bewildering study in contradictions. It is a war that the heads of state of both countries insist they do not want. And it was set off by a minor land dispute that both sides agree could easily be settled by historians and map experts.

Yet, neither Prime Minister Meles Zenawi of Ethiopia nor President Issaias Afewerki of Eritrea appears able to stop the bloodshed.

With each passing day, the battle has widened. The attempts by the United States and several African leaders to head off a full-scale conflict have so far been drowned out by artillery exchanges, tank battles and air raids.

Both countries have portrayed themselves as the passive victims of an aggressive neighbor bent on grabbing land militarily.

The two heads of state have blamed each other for each of the clashes over the last week.

At the heart of the dispute are several pieces of land inside what Eritrea considers its national

boundaries that once belonged to the Ethiopian administrative province of Tigre before Eritrea became independent in 1993.

Eritrea maintains that local Tigrean officials have been trying to colonize these areas over the last year, sending thousands of Ethiopian settlers over the border, pushing Eritreans out and setting up local governments.

In early May, thousands of Eritrean troops moved into one of these border towns, Badme, after a clash between a Eritrean patrol and Ethiopian police set off the current crisis.

For its part, Ethiopia denies that these regions ever belonged to Eritrea and has accused Eritreans of occupying its territory around Badme illegally since early May.

"Before we sit in any kind of negotiations, Afewerki has to withdraw," said a spokeswoman for the Ethiopian government, Selome Tadesse. "Why should Meles be expected to negotiate when he's under occupation?"

Last week, both sides accepted in principle the outlines of a four-point peace proposal made by the United States and Rwanda. But the Eritreans

have balked at the first step of the plan, which calls for their troops to pull back to positions they held before May 6.

Still, both sides seem to agree on the other proposals to demilitarize the border, to put a small observer mission from a third country in Badme and to ask for a technical team, perhaps from the United Nations, to demarcate the frontier once and for all.

"We need to agree on the demarcation of the border line, which is a very simple thing which could be done by any technical team or body," Mr. Afewerki said in an interview with the BBC.

"We believe that for that to happen we need to demilitarize the areas of tension, which would also be done with the involvement of observers."

The Organization of African Unity has signed on to the U.S.-Rwandan peace plan, urging both sides to accept it. Egypt has offered to mediate the dispute. There seems to be no shortage of countries willing to lend a hand with troops or observers.

President Bill Clinton has telephoned both leaders, urging them to "de-escalate the ten-

sion," American officials said. His words should have carried weight. Both countries are close allies of the United States and have received American military training and assistance.

Why then is the fighting continuing? In many ways, this border war is a family dispute. Once considered close allies and friends, Mr. Meles and Mr. Afewerki are both from the Tigre ethnic group, which straddles the border of Eritrea and the Ethiopian province of Tigre.

Both men headed rebel movements that drew their core fighters from the Tigre and fought side by side for years to oust the Marxist dictator, Mengistu Haile Mariam, who went into exile in 1991.

In 1993, Mr. Meles agreed to Eritrean demands for a referendum on independence, a political decision that left Ethiopia landlocked but repaid Mr. Afewerki and his followers for their support during the civil war. The two governments never signed an agreement on a common border, though.

The trouble has arisen because some hard-liners in Mr. Meles's movement, the Tigre

People's Liberation Army, have a vision of a greater Tigre that includes some lands in what Eritrea considers its territory, diplomats said.

The first problems arose in August 1997, when Ethiopian officials set up an administration in a region known as Bada.

Several skirmishes followed, and a joint commission was set up to hammer out a border pact.

But the situation degenerated rapidly in early May, when an Eritrean general, Gerzigher Tesfamariam, decided to respond with huge force to the skirmish at Badme on May 6, in which an Eritrean officer was killed.

That decision put Mr. Meles, whose mother is Eritrean in a delicate political position. Having allowed Eritrea to go its own way, the prime minister was vulnerable to accusations from southern politicians that he was too soft on Ethiopia's northern neighbor.

To these constituents, he has had to prove he has Ethiopia's interests at heart, diplomats say.

At the same time, Mr. Meles's hard-line supporters in Tigre are pressing demands that he recover what they consider to be traditional Tigrean lands.

As Prisoners Are Freed In East Timor, Soldiers Quell Jakarta Protest

By Cindy Shiner
Washington Post Service

DILI, East Timor — A dozen East Timorese political prisoners were freed here Friday, and security forces in the Indonesian capital broke up a demonstration by activists calling for the right of self-determination for East Timor.

The prisoners raised their fists in the air as they left the Beccora prison and vowed to continue resistance to Indonesian rule. Indonesia invaded East Timor, a former Portuguese colony, in 1975 and annexed it the following year.

In the Indonesian capital, Jakarta, several hundred troops charged at about 1,000 demonstrators who were demanding a referendum on East Timor. Security forces beat some of the protesters

Habibie Slates Presidential Vote For December '99

Reuters

JAKARTA — Indonesia will have a new president and vice president on Dec. 22, 1999, the official Antara press agency quoted President B.J. Habibie as having said.

Mr. Habibie, who succeeded President Suharto on May 21, said he would not seek re-election when the 1,000-member People's Consultative Assembly, which is known as the MPR, next meets to elect a president and vice president, Antara reported Friday.

"When the MPR elects a president and vice president, it will obviously not be me," Mr. Habibie was quoted as having said. "Thursdays at a meeting with the Indonesian Chamber of Commerce.

"When on Dec. 22, 1999, the MPR general session has elected a president and vice president, I will consider my task as president completed."

Mr. Habibie had previously indicated that a presidential election would be held next year and that he did not plan to be a candidate, but he had not specified a date.

"That is good news," an analyst with a foreign brokerage in Jakarta said. "It helps clarify the political agenda."

Mr. Habibie said Tuesday that parliamentary elections would be held next May after new laws were put in place to allow more political parties and guarantee political freedoms.

After a parliament was elected, the consultative assembly could be convened to choose a new head of state, Mr. Habibie said. The body is made up of Indonesia's 500 members of Parliament and 500 selected military and civilian officials.

Several opposition groups and student protesters have said that Mr. Habibie's timetable is too slow and that elections and thorough political reform should come sooner. Indonesia is in the midst of its worst economic crisis in decades.

About 5,000 students protested outside the Parliament complex on Wednesday, demanding a session of the consultative assembly as soon as possible. A group of retired generals is also demanding a session by July at the latest.

Continued from Page 1

geni Primakov, said that his country remained opposed to such actions, but Hubert Vedrine, his French counterpart, said, "I think the Russian position is not yet their last word."

The United States maintains that existing UN resolutions on the former Yugoslavia provide sufficient authority for any military intervention that may be decided.

Mr. Vedrine emphasized the importance of keeping Russia, a traditional ally of Serbia, in the emerging international consensus that the world may have to step in to stop the fighting from spilling over into the rest of the Balkans if Mr. Milosevic does not quickly respond.

Russia agreed to a warning issued

with truncheons, and demonstrators retaliated by throwing rocks and bottles. Reports said two protesters and a soldier were injured.

The demonstrators were herded onto about 15 buses and escorted away. An undetermined number were being held for questioning.

In Dili, about 100 students at the University of East Timor staged their own demonstration. They shouted, "Viva East Timor" and said they hoped to gather thousands of students from around the territory for a protest on the campus in Dili on Saturday.

The repression of the demonstration in Jakarta and the release of the political prisoners in Dili reflects the new government's confusion, or division, over the best way to move forward in Indonesia's new era of reform. The civilian president, B.J. Habibie, and the military that backs him are grappling with opening the country to more freedom, while trying to keep a lid on discontent that could seriously challenge the new government's authority.

How Mr. Habibie and the military deal with the East Timor problem is crucial in determining how foreign powers will assess the government's commitment to cleaning up its human rights record and its commitment to democratic reform.

The former president, Suharto, who stepped down last month after 32 years in power, brutally suppressed dissent in East Timor and throughout Indonesia. More than 100,000 people are thought to have died over the past 23 years as Indonesian troops attempted to crush a rebellion by the armed wing of the Fretilin movement. Only pockets of resistance remain, but human rights workers tell of continued abductions, torture and intimidation of civilians.

"It's only Suharto who is gone, not the regime," said a human rights worker in Dili. "We hope that during the era of reform that the situation in East Timor will change. The military is still in East Timor, and when people see them they're afraid."

Still fresh in the memories of activists in Dili is the massacre of at least 30 demonstrators in 1991. The killings brought widespread international condemnation against Indonesia and led the United States to suspend most of its military assistance to the Suharto government.

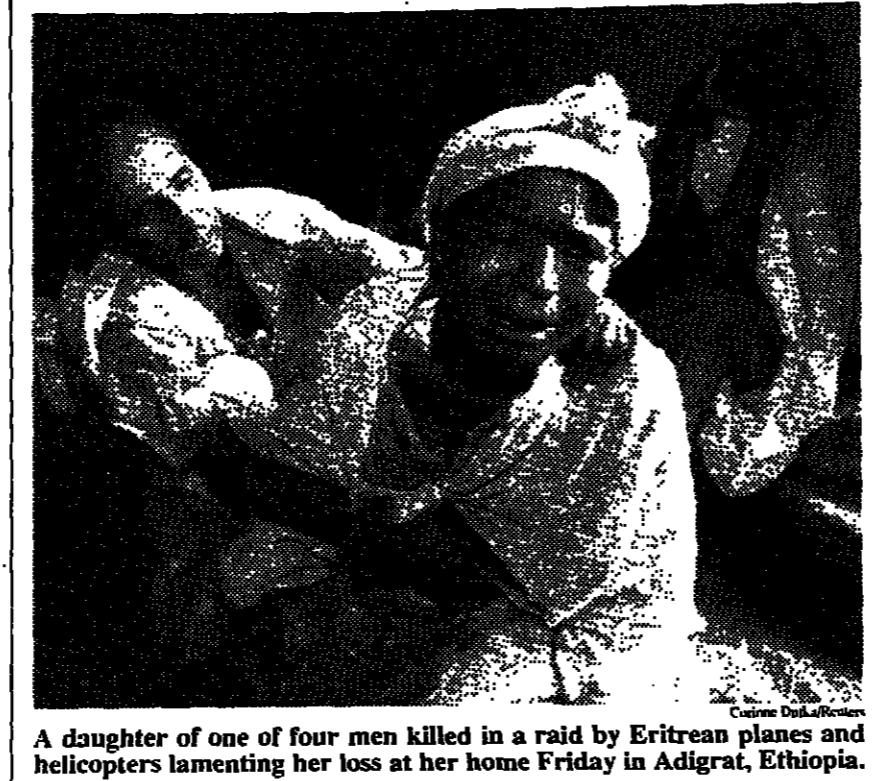
Mr. Habibie has said he would be willing to grant special status to East Timor, but activists in Dili say that this is akin to Mr. Suharto's integrationist policy and that they want nothing less than the right to determine their own future.

The former regime feared that giving independence to East Timor would inspire separatist sentiment among other disgruntled groups across the vast archipelago. People in the regions of Aceh and Irian Jaya have waged their own struggles against the administration in Jakarta.

The governor in Dili, Abilio Jose Soares, has called for dialogue and said he plans to meet with imprisoned East Timorese resistance leader, Xanana Gusmao, in Jakarta.

On the other hand, the governor was quoted in a local newspaper as saying that demonstrations were counterproductive and that there were better ways for people to air their views.

"Everyone can express their aspirations, because the door of the governor is always open, as long as it is not based on emotional hatred," Suara Timor Timur quoted him as saying.



A daughter of one of four men killed in a raid by Eritrean planes and helicopters lamenting her loss at her home Friday in Adigrat, Ethiopia.

Ethiopians Fear New Raids

After Eritrean Attack, People Flee Town or Hide at Home

Reuters

ADIGRAT, Ethiopia — This Ethiopian mountain town was almost deserted Friday, a day after a bombing raid by Eritrean that residents said killed at least four people and wounded 30.

Most inhabitants, fearing further attacks, have fled to surrounding villages, officials said, while those still here huddled in their houses.

Probably hundreds have died in the border conflict between the neighbors that started on May 6 and escalated June 5 with a series of air raids.

A third front opened Thursday close to strategic Red Sea shipping routes when both sides reported fighting about 70 kilometers (45 miles) from the port of Assab.

Mediation by the United States and Rwanda appeared to be stalled, diplomats said, as another evacuation flight for foreigners prepared to leave the Ethiopian capital, Asmara.

An Ethiopian spokeswoman, Selome Tadesse, said Ethiopia had

the lone public voice of opposition in Kalmykia in recent years, after Mr. Ilyumzhinov's election in 1993. The worst harassment occurred soon after the election, when someone fired a pistol at the newspaper office. Mrs. Yudina's apartment was set on fire.

Later the newspaper was pushed out of its printing plant and had to find plants in neighboring regions. Copies were distributed from Mrs. Yudina's car. The newspaper's assets were seized after it had been sued for publishing derogatory remarks about a distinguished Kalmyk poet, and its offices were sealed.

"She published very harsh criticism which was very one-sided," said Erdal Shamakov, chief editor of *Izvestia Kalmykii*, which is loyal to the local government. Mr. Shamakov said he doubted that the killing was political.

Mrs. Yudina had recently become a local co-chairwoman of a national liberal party headed by Grigori Yavlinsky, who this week called her the victim of a political assassination.

MINES: Sealing Off Kosovo

Continued from Page 1

to smuggle in fighters and some weapons.

The news of the land mines came from intelligence reports and witnesses. The mines are being planted in an area left vacant by the Yugoslav shelling of scores of towns and villages in Kosovo.

What remained was razed, leaving an unpopulated swath. Military observers said that the planting of mines would help ensure that the area remained a desolate buffer zone between Albania and Serbia.

"In military terms, mining the border region makes sense," said a European military official.

"The KLA is pouring men and weapons into Kosovo from Albania. If the zone is emptied of civilians and covered with land mines, this will impede the movement of the guerrillas and make it harder for the rebels to use Albania as a sanctuary."

The laying of land mines follows two weeks of an intensive anti-insurgency campaign by Serbs to clear an area along the Albanian border.

As many as 80,000 people have been sent fleeing by the shooting, the destruction of towns and the daily shelling by artillery on nearby hills.

President Milosevic appears to want to empty the border town of Djakovica, where the population of 60,000 has been doubled by an influx of ethnic Albanians from surrounding villages.

The Serbs have ringed Djakovica with checkpoints and cut phone communication and most food supplies, according to diplomats who have been able to visit the area.

There has been heavy shelling of the villages around the city for two days, with large shells slamming into areas just a mile from the town.

"This is the tactic used to empty the other population centers," a European military observer said.

"But Djakovica may be the final straw. If the Serbs attack Djakovica, they will create another 120,000 refugees. This may be too much for NATO to swallow."



A barbed-wire fence on the border of Kosovo and Albania framing a scene of refugees fleeing Serbs on Friday.

KOSOVO: Immediate End to Serbian Attacks Is Demanded by 8 Major Powers

Continued from Page 1

by the group that, if international demands were not met, there would be "moves to further measures to halt the violence and protect the civilian population, including those that may require the authorization of a United Nations Security Council resolution."

"We're all working together as much as we can on this," said the U.S. secretary of state, Madeleine Albright.

NATO defense ministers decided Thursday to draw up military plans for intervention, including possible air strikes against strategic military targets in Serbia, and scheduled a large demonstration of NATO air-power across the border from Kosovo in Albania and Macedonia that could also take place next week.

With Mr. Rugova, the ethnic Al-

banian leader in Kosovo, here for talks with some of the foreign ministers, the group also said that it expected him to make it clear that he rejected violence and acts of terrorism and said it was essential that "Kosovo Albanian extremists" refrain from violent acts that the Serbs could use as a pretext for continuing their offensive.

Mrs. Albright and the other ministers made it clear that they believed Mr. Milosevic, not Mr. Rugova, was at fault for the premature suspension of negotiations that had been arranged last month by a U.S. special envoy, Richard Holbrooke.

Asked for his reaction to the NATO decisions earlier this week, Mr. Rugova said, "I asked for more, but this is all right."

Woman Dies Imitating 'Titanic' Movie Scene

The Associated Press

OSLO — A Norwegian woman imitating a scene from the movie "Titanic" lost her grip on a ship's railing and plunged into the ocean off western Sweden, where she vanished and is presumed dead, an Oslo newspaper reported Friday.

The woman, identified only as being in her 30s, was aboard the ferry Queen of Scandinavia on an overnight run from Oslo to Copenhagen when she climbed over a railing and hung outside the ship. She plunged 20 meters into the ocean off Varberg on Thursday.

The newspaper Dagbladet, citing witnesses and a friend of the woman, said she had talked about the "Titanic" scene, and then set out to imitate it.

OPEN UP 1000

BRIEFLY

Survivors of Cyclone In India Hunt for Food

BOMBAY — Poor villagers in western India, the shell-shocked survivors of a cyclone that killed at least 735 people, streamed out of their flattened towns on Friday in a desperate search for food and water.

As people fled down mud-choked roads, the bloated corpses of unclaimed victims were burned in a mass cremation because they could not be preserved for identification by relatives. Many of the victims of Tuesday's cyclone were salt miners whose families lived far away.

The government decision to burn the bodies violated the Hindu tradition of allowing the eldest son of the deceased to light the pyre. (AP)

2 More Children Die In Taiwan Epidemic

TAIPEI — A deadly virus claimed the lives of two more Taiwan children on Friday, pushing the death toll from the epidemic to 34.

Hsi Kuo-hsiung, acting director of the Bureau of Communicable Disease Control, said one child had died on Friday, killed by suspected enterovirus.

State television later quoted a hospital source as saying a second child had died in Taiwan in southern Taiwan.

According to the Taipei City Health Bureau, as of Thursday, some 1,200 children may have been infected, with 148 hospitalized. (Reuters)

Rain Stalls Afghan Aid

FAIZABAD, Afghanistan — Bad weather hampered delivery for the second day on Friday of urgently needed food for thousands of victims of Afghanistan's devastating earthquake, aid workers said.

Low clouds and continuous rain prevented four helicopters being used by international relief agencies from reaching 30 villages flattened by the earthquake on May 30.

United Nations officials said that residents of remote villages had been supplied a week ago with food for seven days, but that the weather had prevented delivery of a second week's supply.

The earthquake killed from 3,000 to 5,000 people and affected up to 70,000 in the Badakhshan and Takhar provinces.

The United Nations says it has had great difficulty finding helicopters to deliver aid. (AP)

For the Record

Prime Minister John Howard of Australia said Friday that the outcome on Saturday of the Queensland state election, where his conservative allies are expected to take a beating, would not have an impact on the timing of national elections.

CHINA: Gearing Up for Clinton

Continued from Page 1

political spectrum here seem to welcome the visit to the square. They believe it could bolster China's standing in the world and could nudge China's leadership toward a reappraisal of the crackdown.

They also say that Mr. Clinton's entire visit to China is more important than any particular stop. It gives these Chinese hope that relations between the United States and China might improve rapidly and that China will become a freer, more prosperous place.

The president's trip, set for June 25 to July 3, is already getting positive media coverage here, and for many Chinese, the visit of an American president under such warm circumstances is a sign that China is opening.

Li Lan, 28, a graduate student at Qinghua University, says she is happy that Mr. Clinton is coming to Tiananmen Square.

"It shows that the United States can be mature about its differences with our government. Many of us have differences with the government, too," she said, citing her belief that widespread corruption and nepotism are severely hurting China.

"But I think a leader of a great nation like the United States should come here and do things according to our formula. Then, within that formula, he can speak freely. And I know that many of us want him to speak, for him and for us."

For Xie Xiaomin, 39, a trader at C. Itoh Corp., a Japanese trading house, the visit to Tiananmen Square is a sideshow to what he hopes the two nations will accomplish.

Mr. Xie says he "sympathizes" with the students and other citizens who demonstrated in the square for more than six weeks in 1989. But, he says, the Asian economic crisis and the nuclear standoff between India and Pakistan are threats to China and the United States and must be addressed.

"June 4 has already passed," he said. "The important thing is that China and America communicate. It's really simple. Why can some people become good friends? Because they communicate often." Mr. Clinton's appearance in Tiananmen Square "isn't for the purpose of Tiananmen, but for the two countries' interests."

For Li Hong, 27, an insurance company employee who was reading an article about the Spice Girls during her lunch break, Mr. Clinton's visit to Tiananmen is not a slap at those who died there. "I think it's a completely different thing," she said. "That place also has our Monument to the People's Heroes."

Although the White House has announced that Mr. Clinton is not scheduled to speak at the welcoming ceremony, some here wonder if the talkative and politically astute American president — who confronted President Jiang Zemin at a Washington news conference by saying that the Chinese government was on the "wrong side of history" regarding the Tiananmen crackdown — will follow the script.

China in the 1990s is marked by a diversity of opinion. For those jailed as a result of the Tiananmen protests, Mr. Clinton's visit to the square brings ambivalence and passion.

Bao Tong, a Communist Party official who was imprisoned for seven years after the crackdown, said he believed the decision to visit the square was Mr. Clinton's to make.

"I really can't speak for the president of the United States," Mr. Bao, 65, said in a rare interview last week before being told by security agents to stop granting interviews to the foreign media. "That decision is something only he can make."

Liao Yiwu, a poet who spent four years in prison in Sichuan Province for memorializing the victims of Tiananmen, is critical of Mr. Clinton for coming to China in June because of the month's association with the crackdown.

In an open letter to Mr. Clinton written on June 4 and made public Tuesday, Mr. Liao argues that the United States is more concerned with economics than in maintaining its traditional role as a beacon of freedom and democracy. In an interview, Mr. Liao said that Mr. Clinton's visit to Tiananmen would be acceptable to him only if Mr. Clinton were to take a page from John Kennedy's famous speech at the Berlin Wall during the height of the Cold War.

"If Clinton has the courage to say: 'I am a Beijinger,' then I think he could go there. But I don't think he'll do that," Mr. Liao said.

The United States "should promote freedom and democracy," Mr. Liao added. "He shouldn't give up America's traditional idealism."

The authorities have not yet approached Mr. Liao about the letter and comments, he said, adding, "When you speak the truth, there are consequences."

On Tuesday, a group of 23 dissidents called on Mr. Clinton to push his hosts on the issue of human rights during his visit and to try to get a solid commitment on when China will sign the UN Covenant on Civil and Political Rights, which former Foreign Minister Qian Qichen promised in March to sign.

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Laureate Fears More of the Same in Nigeria

By Serge Schmemann
New York Times Service

on Friday, was to serve as the occasion for demonstrations and perhaps a showdown with the government.

"Unfortunately," Mr. Soyinka said, "I feel what the military council wants to do is to buy time to resume in some form or another their control over the political destiny of the nation."

"Nothing effectively has changed in terms of the restoration of power to the people of Nigeria, and this is the bottom line," Mr. Soyinka said with a chuckle, "when somebody came at the reception and asked for a comment."

The writer, winner of the Nobel

Prize in Literature in 1986 and formally, at least, an exile from his native country since December 1994 — formally, he said, because he has managed to sneak in and out at times — was at Hebrew University here reading a lecture when he learned that General Abacha, head of Nigeria's military government, had died.

"I had just finished my usual analysis of the evils of Abacha's regime," Mr. Soyinka said with a chuckle, "when somebody came at the reception and asked for a comment."

LAGOS: The Police Break Up Protests

Continued from Page 1

"This is not about Abacha or about Abubakar," said a University of Lagos student, Dele Abai. "It is a struggle for democracy."

The protests were organized months ago to mark the five-year anniversary of the annulment of Nigeria's last presidential elections on June 12, 1993, and to call for freedom for Mr. Abiola, the imprisoned billionaire businessman believed to have won the vote.

But the demonstrations took on an added significance, coming only days after General Abubakar was appointed leader of this oil-rich but impoverished West African country.

General Sani Abacha, notorious for his brutal and oppressive rule, died Monday of a heart attack.

about Abacha's death."

Mr. Soyinka was interviewed on his way to the airport for a flight to London, where he planned to meet other members of the exile opposition. He said about 500 active members lived abroad, and at least 300 other opponents of the regime were in Nigerian prisons.

Mr. Soyinka himself spent nearly two years in Nigerian prisons, producing a body of poems. He was charged in absentia with treason last March.

"Our program is to strengthen all structures, all structures of opposition, to make sure we're not caught with our pants down," he said.

Mr. Soyinka said the "most rational direction" for the military leaders would be to place the apparent winner of the 1993 election, Chief Moshood Abiola, the head of a government of national unity and to hold elections to a new national assembly.

The 1993 elections were annulled by the military, evidently because of their unhappiness at the election of Chief Abiola, who would have become head of a civilian government. He was later jailed for proclaiming himself president.

Before his death, General Abacha was preparing for elections this summer and a government transition Oct. 1, but the process was broadly denounced as a ploy to keep him in power. So far, Mr. Soyinka said, General Abubakar has spoken only of continuing that process.



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A Permanent Court

For more than a century, people have entertained a vision of a permanent international criminal court that would try the perpetrators of great crimes who could not otherwise be held to account in their home countries. Like Pot Pot and Radovan Karadzic: the worst.

The trial of German war criminals at Nuremberg gave the idea a first life. The end of the Cold War gave it a fresh opening. In the human rights movement, it found a constituency. Ethnic conflicts made it urgent. A United Nations conference to write the vision into reality opens in Rome on Monday.

The idea has its appeal, along with its limitations. An international criminal court could deter and, that failing, punish future instances of genocide, war crimes and crimes against humanity. But several threshold and procedural questions still need to be addressed.

Why not stick with the one at a time, cut to size pattern of the Yugoslav and Rwanda war crimes tribunals rather than set up another permanent and expensive United Nations bureaucracy? "Tribunal fatigue" and the possibilities of economies of scale are cited, along with the preferences of General Assembly members who resist Security Council control over the two existing tribunals. But these claims do not sweep all before them.

In fact, a strong Security Council role is essential for the United States to meet its unique global responsibilities

for peace and security, humanitarianism and rescue, counterterrorism, counter-drugs, counterproliferation and other post-Cold War missions. The far-flung military deployments that serve these interests cannot be left exposed to mischievous criminal legal proceedings.

The dismal precedent of NATO's hesitancy to use its massive military superiority to round up all Yugoslav war crimes suspects also must be confronted. It goes to a matter untouched by court procedures: political will. What reason is there, beyond NATO's very slow progress in Bosnia, to expect that a permanent court could elicit more courage from its members than they are showing now? It is easier to deal with a prosecutor run amok — a prosecutor can be legally constrained — than with a membership that shrinks from armed conflict.

These tensions are familiar to the Clinton administration. Many foreign friends of the United States are pulling one way, while skeptics at home — and in the Senate, which must ratify — are leaning the other. The administration is struggling to present a treaty that would at once respect American interests and win American support. It is probably right in believing that a judgment on whether a permanent criminal court is either essential or feasible awaits resolution of the myriad differences in the text that the negotiators will sit down to for a month in Rome.

— THE WASHINGTON POST.

Unholy Breach

The Wisconsin Supreme Court's decision upholding the use of public funds for parochial school tuition strikes at the very heart of the constitutionally mandated separation of church and state that has served American society so well. Although a few recent U.S. Supreme Court decisions have relaxed strictures against using public money to support certain activities in parochial schools, those cases have dealt with tangential and very limited benefits to the church-sponsored institutions. No appellate court, including the Supreme Court, has ever allowed the huge transfer of taxpayer money that the Wisconsin voucher program will put into parochial school coffers.

The voucher plan allows up to 15,000 low-income students in Milwaukee to attend private or parochial schools with tuition paid fully by the state. Currently, only 1,500 students have used the vouchers to attend private, nonsectarian schools. The program's growth depends on enrolling thousands of students in parochial schools.

Under the funding plan, the state will pay the parochial schools the full cost of instruction for each voucher-bearing student or \$4,700, the amount the state currently spends on each student in the Milwaukee public school system. For each student who transfers out, the public schools lose \$4,700. The potential loss to the Milwaukee public schools could reach \$70 million a year.

The state court argues that the voucher program, by giving students

— THE NEW YORK TIMES.

Diplomatic Fiasco

In less than a month the Clinton administration has shifted from boasting to backtracking about its big drug money laundering sting in Mexico. More than 150 suspected drug traffickers and their alleged banker confederates were arrested, but Washington inexcusably failed to obtain Mexico's approval for undercover operations carried out on Mexican soil. That failure has turned a law enforcement coup into a diplomatic fiasco, with the administration now trying to repair the damage to drug enforcement efforts.

The episode began when American Customs agents began encountering large checks issued in dollars by Mexican banks — ideal instruments for laundering drug profits. The Customs Service, which is part of the Treasury Department, ran a sting operation in the United States to collect more information. Then it notified midlevel Mexican officials and asked for permission to extend undercover operations to Mexico. American and Mexican accounts differ on how much detail Customs provided about its findings and its undercover plans. But both sides agree that Mexico never gave the approval that

— THE NEW YORK TIMES.

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Russia: A Global Cash-Flow Problem With Nukes

By Jim Hoagland

WASHINGTON — Russia poses history with its first nuclear-armed cash flow problem, implicitly threatening creditors not with a bankruptcy filing but with Armageddon if Moscow's deal with the West goes south.

Rescuing the deal, which provides Russia with transitional economic help in becoming a stable capitalist democracy, remains an offer the West cannot afford to refuse.

But the deal has become both troubled and troubling, as corruption and mismanagement have eaten away at the foundations of the new Russian state. It is time for Western policymakers to re-examine the terms of the deal, and especially the role President Boris Yeltsin will play now in Russia's rescue.

Global financial trends have moved decisively against Russia's robber baron capitalism in recent months, creating a historic crossover in raw power terms that the world's international financial institutions, central banks and private investors are ill-equipped to handle. Their actions on interest rates, currency values and balance of payments support suddenly become the stuff of war and peace decisions over the horizon.

Russia is today a local financial crisis wrapped in a national political dilemma inside a global economic storm.

Unable and, until recently, unwilling to collect enough taxes to make ends meet, the Russian government is now approaching the limits of what it can realistically borrow from abroad and repay.

It is desperate for cash at a time when worried foreign investors are yanking money out of emerging markets, including Russia.

The frenetic efforts of Mr. Yeltsin, once again back from the grave threatening to chop off heads and fire governments on a moment's notice, do not seem to be turning the tide. Mr. Yeltsin and his new prime minister, Sergei Kiriyenko, are making a maximal political effort but achieving an insufficient financial result.

Pressure continues to mount on the international monetary system to release \$670 million in support funding for Mr. Yeltsin's government, despite continuing shortfalls in areas the IMF had demanded be resolved.

Mr. Yeltsin's abrupt firing of Prime Minister Viktor Chernomyrdin in March and his appointment of the much younger, more financially adept Mr. Kiriyenko gave the IMF more room to maneuver in continuing its loans. It is even conceivable that Mr. Yeltsin may have engineered the still largely unexplained and humiliating timing of the dismissal of Mr. Chernomyrdin to influence international lending and investment patterns.

On a recent visit to Moscow, I asked the obviously chastened Mr. Chernomyrdin if he understood why Mr. Yeltsin had been so abrupt in firing him after a five-year partnership.

"That is a question only he can answer," the former prime minister said of the president. "I am sure there was nothing personal in it. We had talked about this change, and agreed it was necessary so I could engage in other activities. So the big question was when," Mr. Chernomyrdin said, indicating that he had not been consulted on the timing.

Mr. Chernomyrdin dismissed ru-

rors that Mr. Yeltsin had become upset over the prime minister's increasing visibility and apparent intention to run for president in the year 2000, a race that Mr. Yeltsin himself now seems to be considering despite earlier statements that he would not run.

"I think he will do what he said, when he told the world," he would not run, Mr. Chernomyrdin stated. "As for me, my current efforts all have to do with preparing for the parliamentary elections of 1999, which will determine the politics of the year 2000 election. I am not thinking of 2000."

All signs in fact point to Mr. Yeltsin's seeking a third term, despite constitutional questions about his eligibility and high negatives in polls. The shadow of his candidacy is rapidly becoming a divisive and destabilizing factor in the intertwined world of Russian politics and finance.

Mr. Yeltsin should instead be working toward a well-planned, transparent succession in 2000 that would help entrench market reform, stamp out corruption and establish predictability as an important norm in Russia. That should be part of the new deal that is needed to continue Western economic support for this half-century's most important economic and political transition.

The Washington Post.

It's Too Late for a 'Preventive Deployment' in Kosovo

By Anna Husarska

SARAJEVO, Bosnia-Herzegovina — The mountains straddling Albania and the southern Serbian province of Kosovo are called "Prokletije" — the Damned.

This international border may be about to live up to its name. It is in Prokletije, the Damned Mountains, that the United States and its allies are reportedly planning to station troops in a "preventive deployment."

This is no solution. Not at this stage of the Kosovo crisis. Not anymore.

In March, the International Crisis Group — which has experience monitoring the implementation of the Dayton peace agreement in Bosnia — called for precisely such an operation, saying it would help the conflict in Kosovo from spreading and would facilitate effective action if an intervention became necessary.

At the time, NATO was not planning a deployment, let alone an intervention, because the Kosovo question was being handled (or mishandled) by the

six-nation Contact Group, made up of the United States, Britain, Germany, Italy, France and Russia.

The Contact Group set President Slobodan Milosevic of Yugoslavia four consecutive deadlines to stop the violence in Kosovo, all of which he violated.

Recently it dawned on Western leaders that NATO would be a better vehicle than the Contact Group, but it is probably too late for the preventive deployment of ground troops — unless such deployment is the first stage of an intervention.

There is nothing much to prevent anymore. Bosnia-style scenarios are already unfolding in Kosovo, and on our television screens.

But the worst Bosnia-style outrages are still to come, and they may happen in the Damned Mountains.

What exactly would NATO troops already stationed on the Albanian side of that border do?

Hundreds of refugees, mostly women, children and old men, flee across the frontier every day. Would a NATO soldier dare stop these illegal immigrants from crossing?

This is a scary but not so outlandish idea. In Sarajevo, all through the war, the airport was guarded by UN troops who prevented Sarajevans from escaping the Serbian siege. Is the international community about to force Muslims to be sitting ducks in a Serb-run shooting gallery?

A lot of people are also going in the other direction in the Damned Mountains. Young ethnic Albanian men travel from Albania proper — where they receive military training — to Kosovo, where they fight in the Kosovo Liberation Army.

Are NATO soldiers about to stop those young men from returning home to fight the Serbian police and army troops that are attacking their families?

During the war in Bosnia, the United Nations insisted that

the mujahidin not help the Bosnian government forces, but when the Yugoslav National Army and paramilitaries and irregulars from Belgrade helped the Bosnian Serb aggressors, the international community was silent.

There is also mule traffic in the mountains. Those mules bring into Kosovo weapons that the Kosovo Liberation Army uses in its fight against the Serbs. Those guns are from arsenals looted in Albania proper or else imported from third countries.

Take this statement: "We cannot afford to ignore what appears to be a deliberate and systematic extermination of human beings based on their ethnic origin. I would begin with air power, against the Serbs, to try and restore the basic conditions of humanity."

Sounds tough, doesn't it? That was Bill Clinton in August 1992. He did not scare Slobodan Milosevic then, and as a result it will take even more to scare Mr. Milosevic now.

The writer, a political analyst at the International Crisis Group, contributed this comment to the International Herald Tribune.

Asia's Nuclear Shock Waves Rock the Middle East

By Gideon Rafael

JERUSALEM — Many significant changes have occurred in the international arena during the last decade of the 20th century. Two are of particular far-reaching importance: the disintegration of the Soviet empire and the upheaval in the Gulf.

The first changed the strategic equation in the world at large, while the Gulf War affected the military and political structure of the Middle East.

Both events evoke the specter of nuclear proliferation. The danger that the successor states of the Soviet Union could lose control of the Soviet nuclear and ballistic arsenals, and the discovery that Iran and Iraq had developed weapons of mass destruction, prompted the United States to intensify efforts to stop nuclear proliferation and to advance the resolution of regional conflicts.

The Arab-Israeli peace conference convened in Madrid in 1991 by Washington and Moscow, was the first product of the new U.S. policy. Another was the signing of several international conventions designed to halt the production of nonconventional arms and delivery systems for ballistic missiles.

India and Pakistan, non-signatories of the Nuclear Non-proliferation Treaty, refrained from joining the new conventions. Israel, though also not a signatory of the pact, signed the Comprehensive Test Ban Treaty and supported U.S. efforts to curb the ballistic missile race.

Moreover, Israel declared its willingness to join a Middle East nuclear-free zone proposed by Egypt — after the establishment of a comprehensive peace extending from the Gulf to the Mediterranean.

Hopes were nourished, in particular by the United States, that the peoples of the world could pass peacefully over President Bill Clinton's "bridge" to the third millennium. However, the 20th century seems to be ending not with a whimper but with a bang of nuclear blasts.

The United States slapped strict sanctions on India and Pakistan. The UN Security Council unanimously condemned their nuclear tests and endorsed the demand of its five permanent members, the only recognized nuclear powers, "to halt the production and deployment of missiles capable of carrying nuclear arms."

The United States registered with particular intensity in the Western part of the continent. Alarms are ringing throughout the Middle East. Three of the most persistent contemporary conflicts beset the Asian continent: Korea, Kashmir and Israel-Palestine.

They erupt with particular vehemence in areas of economic and political distress, where fear, frustration and fury gain the upper hand over reason and realism: where politicians, instead of weeding out the sprouts of violence, nurture them; where the world powers refrain from cooperating and instead assert their influence.

The shock waves triggered by the nuclear tests in South Asia were registered with particular intensity in the Western part of the continent. Alarms are ringing throughout the Middle East. Three of the most persistent contemporary conflicts beset the Asian continent: Korea, Kashmir and Israel-Palestine.

No less threatening and combustible is the unsettled conflict between Iraq and Iran, and the advance of Islamic fundamentalism, which menaces the stability of a number of Arab countries.

The existence of nonconventional weapons in the Middle East is well known. Israel got a foretaste of things when Iraq hit it with Scud missiles, which are capable of carrying chemical and biological warheads. These attacks added a new dimension to the Arab-Israeli conflict, sharpening the awareness and understanding of the indispensability to Israel of a persuasive deterrent capability.

To avert the use of weapons of mass destruction, the parties to the conflict must be urged to avoid aggravating existing tensions and to make determined, sustained and convincing efforts to settle their disputes.

The current crisis requires a coherent strategy and sustained, long-term effort that encompasses many countries and critical factors of security. Each of the major regional states must be brought to understand the reciprocal security needs of its neighbors. Conventional as well as nuclear arms control must be pursued. The first steps should be taken toward creating an inclusive regional security system.

President Bill Clinton should change his agenda for his visit to China and be prepared to launch a strategic dialogue with Beijing, beyond appeals for restraint in its own actions, as part of a far-reaching strategy that is carried simultaneously by U.S. cabinet officers to New Delhi, Islamabad, Moscow and other capitals. This is the necessary beginning of efforts to deal with the corrosive, root problems of security and power across South Asia and to forestall the Second Nuclear Age.

— Robert E. Hunter, a senior adviser at the Rand Corp., commenting in the Los Angeles Times.

to countries threatened with attacks by weapons of mass destruction.

As long as such protection is unavailable, threatened states will seek to acquire their own deterrent capability — thereby accelerating the escalation of nuclear anarchy.

In Israel, the former government headed by Yitzhak Rabin advocated and pursued a course of disarming the conflict by peaceful means. In a declaration to the Knesset in August 1992, Prime Minister Rabin said:

"The danger of introducing nuclear arms is one of the most central issues that concerns the survival of Israel. They must alert the forces of these dangers is international cooperation, which the United States must spearhead, helping to reduce the frictions in the Arab-Israeli conflict by promoting peace wherever possible. The security of Israel does not depend on two kilometers here or one kilometer there, but rather on what awaits us."

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Crossing the Last Frontier
New Names, Old Scenes From Early PhotographyBernini the Magnificent
Rome Gathers Sculptures From the MasterBy Roderick Conway Morris
International Herald Tribune

ROME — Bernini, as his greatest patron Urban VIII observed, "was made for Rome, and Rome for him." And it was largely thanks to Urban that Bernini was able to place his stamp on this city in a manner unparalleled by any other artist on any other city.

The sculptor transformed the interior of St. Peter's with his towering "Baldaquin" over the high altar, larger-than-life saints, monumental tombs and the decoration of the vaults; he completely reordered the appearance and impact of the vast square in front of the cathedral with his majestic double colonnade, and transfigured the dark, narrow stairway that previously led down from the papal Vatican apartments to St. Peter's by creating the magnificent, light-filled Scala Regia. His churches provided the model for dozens of subsequent ones; he placed himself center stage in several of Rome's finest piazzas with his ebullient, fantastical and humorous fountains, and made the Sant'Angelo bridge linking the city with the Vatican his own by lining its parapets with his angels.

Bernini practically invented the Baroque, and throughout his long life remained its supreme exponent. The astonishing rapidity and confidence with which he developed this style is vividly demonstrated by "The Sculptor Bernini: The Birth of the Baroque in the House of the Borghese," which marks the 400th anniversary of his own birth. It continues to Sept. 20.

The son of a Florentine sculptor, Gianlorenzo Bernini was one of the most outstanding infant prodigies of all time. He had mastered the techniques of sculpting marble while still a child, prompting Cardinal Barberini to remark to his father, Pietro, when the boy was only 8 that the master was in danger of being surpassed by the pupil. To which Pietro replied: "That doesn't bother me, because as you know, in that case the loser wins."

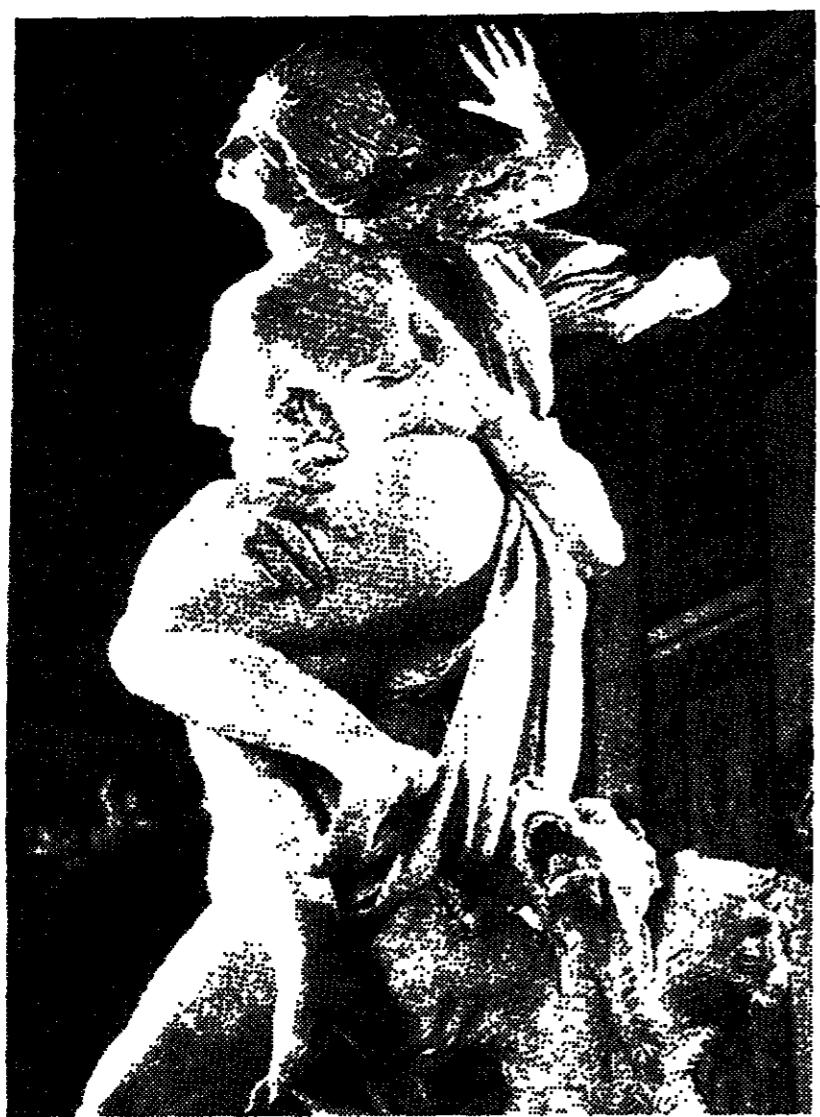
The earliest known surviving piece by Bernini is "The Goat Amalthea With the Infant Jupiter and a Faun." It was done when he was 17 and is on permanent display at the Borghese Gallery. So accomplished was it that for a long time it passed as an antique original.

Cardinal Scipione Borghese, the builder of the Villa, now the Gallery, Borghese, was the leading Roman collector and connoisseur of the era, and it was during these youthful years when Bernini was executing commissions

for him that the artist created the new style in sculpture that was to have reverberations in a whole range of arts far beyond Rome and Italy.

Some of these works have been at the Borghese ever since, and form the core of the exhibition. But there are in addition several loans essential for filling out the picture: notably "The Martyrdom of St. Lawrence" from the Contini-Bonacossi collection in Florence, "The Martyrdom of St. Sebastian" from the Thyssen-Bornemisza collection in Lugano and the "Hermaphrodite," from the Louvre. As becomes immediately clear from "The Goat Amalthea," Bernini could, while yet in his teens, produce perfect imitation of an ancient statue. The young genius's problem was where to take his talent from there.

Sources of inspiration were the paintings of his contemporaries, particularly Caravaggio, Annibale Carracci and Guido Reni, many of whose works are also at the Borghese. Following the example of Caravaggio especially, Bernini brought to sculpture a sense of drama and naturalism, and launched the daring



Bernini's "The Rape of Persephone," sculpted in 1621 and 1622.

enterprise of capturing in stone frozen moments of human bodies in motion. Three triumphant successes displayed here are "The Rape of Persephone" (1621-22), "David" (1623-24) and "Apollo and Daphne" (1622-25).

The artist's total control over his medium allowed him to introduce into sculpture a hitherto unknown level of physical naturalism, breathtakingly revealed in dozens of details — from the bark beginning to envelop the fleeing Daphne's body, the leaves sprouting from her fingers and the roots from her toes as she is metamorphosed into a tree; to the taut cords of David's sling, and

permanent exhibits, and visitors are not provided a plan to find them, necessitating a hunt that is a challenge even to those familiar with his work.

It seems a pity, too, that the organizers have failed to take the opportunity to place works such as "The Rape of Persephone" and "Apollo and Daphne" in their original positions against walls, as Bernini intended them to be viewed, but left them in their later placings in the center of rooms.

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the soft, yielding flesh of Persephone's voluptuous waist and thighs in the grasp of her abductor Pluto as he carries her off to his subterranean kingdom.

Bernini's ability to translate his loving observation of the human body into palpable form in marble obviously delighted Cardinal Scipione (who was also a keen collector of pornography). Even the matress and pillow Bernini carved for the existing Hellenistic sculpture of "The Hermaphrodite" blantly enhanced the figure's sensuality by transporting this ambiguous object of desire from the realm of ancient mythology to the 17th-century bedroom.

In striving to animate his portraits, he adopted a novel method of preparing before starting to carve: Instead of drawing at a formal sitting, he would make rapid sketches of his subjects as they went about their daily business. Nor did he necessarily refer to drawings when sculpting. As he told Louis XIV, had he followed the sketches in this way he would have been producing a copy, not an original.

The two uncannily lifelike busts of the epicurean Cardinal Scipione bear

early witness to the efficacy of this virtuous approach. That there is a near-identical pair of these is because the first one turned out to have a fault in the marble, prompting Bernini, who was capable of carving for hours on end without tiring, to produce at breakneck speed a second, perfect version.

In a very different register, but no less convincing, is his melancholy 1632 portrait of Urban VIII — who once dubbed the artist "a sublime artificer, born by Divine Disposition" — pictured as a man worn down by the burdens of his office. So advanced was Bernini so early in his career that although the show consists mainly of works from his younger years, it offers the key to his entire development.

Unfortunately, the pieces are scattered through a series of rooms amid dozens of

enterprise of capturing in stone frozen moments of human bodies in motion. Three triumphant successes displayed here are "The Rape of Persephone" (1621-22), "David" (1623-24) and "Apollo and Daphne" (1622-25).

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Fax: 325 0842
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THAILAND: BURMA: Bangkok
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Fax: 212 7254

ISRAEL: Tel Aviv
Tel. 31 512 1110
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DE VLIEDENGE SCHOTEL

AMSTERDAM

LE MUSÉE DES BEAUX-ARTS

PARIS 6^e

FRIDAY'S

PARIS 9^e

TY - COZ

CHEZ GANDHI

NEUFLY

Yugaraj

PARIS 6^e

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INTERNATIONAL BUSINESS/FINANCE

SATURDAY-SUNDAY, JUNE 13-14, 1998

PAGE 11

Coke Barbie And a Bike Called Jeep?

Companies License Brands to Increase Visibility and Sales

By Constance L. Hays
New York Times Service

NEW YORK — Coca-Cola Picnic Barbie leaves little doubt about her favorite soda. And brand affiliations do not stop with her: Consider the Jeep bicycle, the Sara Lee Kahuna Mudslide cheesecake and the Chevrolet running shoe. And soon to be presented to the American consumer the Harley-Davidson armchair.

Corporations have seized on brand licensing to promote their products beyond the usual showrooms or supermarket shelves.

Some of the results are a bit unexpected, like the Harley-Davidson chair, which should be on sale within 18 months. Others seem to make a more natural connection, like the windshield wipers licensed by Pennzoil or the potholders that carry the Pillsbury Doughboy's chubby image.

Corporate brand licensing has grown so quickly over the last five years that it is now virtually equal in size to entertainment licensing, the longtime bane of the business in which characters from movies or television are rendered in plush and plastic.

Last year, corporate brands accounted for 22 percent of all licensing in the United States, or \$16.06 billion in sales, said Charles Riotti, executive director



Thanks to licensing, the Taco Bell chihuahua now appears on a T-shirt as well as on a more traditional poster.

of the Licensing Industry Merchandisers Association, a trade group that held its annual convention in New York this week.

Companies see licensing as a low-risk way to build brand awareness, which can also bring in additional revenue. In some cases, licensing a name to be used on certain products can help focus it on a different audience or increase its appeal to specific consumer groups.

"Brands are long-term programs, and entertainment is riskier and shorter-term," said Nancy Bailey, whose firm,

based in Coral Gables, Florida, is responsible for licensing the Pillsbury Doughboy, Pennzoil, Jelly Belly candies, Old El Paso foods and Clorox bleach.

Mrs. Bailey declined to give the revenue figures for the Doughboy but said that 35 licensees were making more than 250 products sold in the United States and Japan.

For companies, licensing is a relatively inexpensive way to invest in additional self-promotion. "For the most part, there is no out-of-pocket cost to a corporation, and no R & D or mar-

keting costs — the licensee does all that," Mrs. Bailey said. "The profit potential is not as great as if you did it yourself, but there is no risk."

Few companies go into it purely for the money; it's the opportunity to "leverage their brand equity" that drives demand, Mrs. Bailey said.

But what accounts for consumer interest in such products, which, when worn or displayed, constitute free advertising for the companies involved?

"We live in a secular society, but

See BRANDS, Page 15

Japan's Bind: A Yen Rescue Would Ruin the Economy

By Don Kirk
International Herald Tribune

TOKYO — Japan is caught between two evils when it comes to taking the one step that its leaders know would instantly stop the free-fall of the Japanese yen, monetary policymakers here said Friday.

They need to raise interest rates to boost the yen, but higher interest rates would probably send the comatose economy directly into the grave. So policymakers also need to lower interest rates.

"We would like to raise the interest rate in order to raise the exchange rate, but we cannot do due to economic conditions," said Yoshio Nakamura, managing director of the economic bureau

of the Japan Federation of Economic Organizations, made up of the leaders of Japan's leading companies.

By economic conditions, Mr. Nakamura meant recession. The government acknowledged Friday for the first time in 23 years that the economy was officially in recession, after two consecutive quarters of contraction. It did so as the yen plummeted to its lowest level in eight years.

So the policy board of the Bank of Japan debated for eight hours Friday before deciding that another interest-rate cut would have little effect on the economy, and left rates right where they were.

A further drop in interest rates might stimulate corporate investment and ex-

pansion, but it would also send the yen tumbling further.

The discount rate in Japan is already at a low 0.5 percent. That is 4.5 percentage points below the prime interest rate in the United States. Credit here is the lowest for any major industrial nation. Mortgages are typically available for a bargain-basement 1.2 percent.

The prospect of further angering Japan's trading partners by taking any action that might speed the depreciation of the yen was believed to have been a major consideration in the Bank of Japan's reluctance to lower interest rates still further.

"The Bank of Japan can't afford to cut its rates," Yasunari Ueno, an economist at Fuji securities told Bloomberg News, citing the vulnerability of other

Asian currencies. At the same time, policymakers do not view a rise in interest rates as an option even though they acknowledge that it would be certain to arrest the decline of the yen, which most observers believe is on its way to considerably lower levels against the dollar.

Mr. Nakamura dismissed the complaints of Japan's trading rivals around the world, from nearby Korea to the United States and the European Community, that depreciation of the yen makes Japanese goods so low-priced on world markets as to undercut the competition.

"Price competition must be strengthened by lowering exchange rates," he acknowledged, but he said any rise in exports would result from the demand of buyers abroad more than a drop in prices.

He sharply rejected the concerns of

See YEN, Page 15

The Specter of Asia Casts Shadow Over the Fed

By Caren Bohan
Reuters

WASHINGTON — Asia's infectious economic turmoil is weighing heavily on U.S. policymakers' minds, as is evident in remarks to Congress this week by Alan Greenspan, the chairman of the Federal Reserve Board, and analysts said the strife could delay any rise in U.S. interest rates for weeks or even months.

If they have leeway to keep rates on hold, Fed officials want to avoid making worse an exodus from sinking currencies in Asia — and more recently Russia — by taking action that would further boost the attractiveness of the U.S. dollar to investors.

But analysts warned that international events will not prevent higher rates indefinitely if domestic inflation looks set to head higher.

"The Fed is in quite a dilemma," said Lyle Gramley, a former Fed governor. "I think that the Fed would clearly have raised interest rates by now to get growth on a more sustainable track had it not been for the renewed financial trouble internationally."

But, he added, "It would be very difficult for that without upsetting the international picture even more."

In an update on U.S. monetary policy

delivered Wednesday to the Joint Economic Committee of Congress, Mr. Greenspan left off with a discussion, not of domestic conditions, but of Asia and of worries that its attempts to climb out of an economic abyss "will not necessarily go smoothly."

Asia's currency and financial crisis, which began a year ago and has recently flared up again, has brought rising inflation and unemployment to Thailand, South Korea and Indonesia. In the case of Indonesia, rioting and violence have erupted.

The heightened social and political pressures that can develop in such circumstances not only introduce added complications into economic policymaking but also make it even more difficult to foresee how the processes of adjustment will play out across the afflicted economies," Mr. Greenspan said.

The Fed chief said the U.S. economy would see some "spillover" from the Asian crisis in the form of weaker exports.

But he said it was still an open question whether that would be enough to curb an economic growth rate in the United States that many at the Fed deem unsustainably strong.

In fact, Mr. Greenspan warned that the Fed might well need to raise interest rates if the pace of economic expansion

did not abate "noticeably."

While Mr. Greenspan did not draw an explicit link between the Fed's current interest rate decisions and Asia, analysts said it was telling that he had led off with the subject.

"It is no accident that Asia went first in Greenspan's talk," James Annable, chief economist at First Chicago/NBD, said.

He added, "The question the Fed is wrestling with is, do you throw gasoline on that fire which is smoldering if you don't have it?"

Mr. Annable said the predominant sentiment among Fed policymakers right now was that there was no urgency to raise U.S. rates despite surging demand in the economy and an increasingly tight labor market.

While U.S. unemployment now at 4.3 percent, is at a level that many economists have previously expected to prompt a bidding up of wages and higher inflation, there is scant evidence so far that prices are picking up.

Mr. Greenspan has given some credit for the stellar inflation performance to business efficiencies brought about by computers and other technological innovations. He also said he suspected that changing dynamics in the labor market have caused workers to be less aggressive in demands for wage increases.

But he said it was still an open question whether that would be enough to curb an economic growth rate in the United States that many at the Fed deem unsustainably strong.

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VW's Audi Subsidiary To Buy Lamborghini

Copied by Our Staff from Dispatches

INGOLSTADT, Germany —

Continuing its luxury shopping spree a week after buying Rolls-Royce, Volkswagen AG, through its Audi subsidiary, said Friday it had agreed to acquire the Italian sports carmaker Lamborghini SpA.

The price was not given, but media reports put it at 70 million Deutsche

marks (\$38.7 million).

The acquisition boosts Volkswagen's brands to seven and gives it models in every price range, from the \$10,000 Lupo city car to Lamborghini's four-wheel drive Diablo Roadster, which sells for more than \$250,000. Volkswagen is trying to shed its image as a maker primarily of utilitarian economy cars.

Last week Vickers' shareholders voted to sell Rolls-Royce, including the

VW's reminder of past. Page 13.

Bentley brand name, to Volkswagen for \$430 million (\$700 million). After toppling Bayerische Motoren Werke AG's \$340 million offer for the U.K. luxury car maker, VW is hoping Rolls and Lamborghini will help its Audi luxury cars compete better with those of Daimler-Benz AG and BMW.

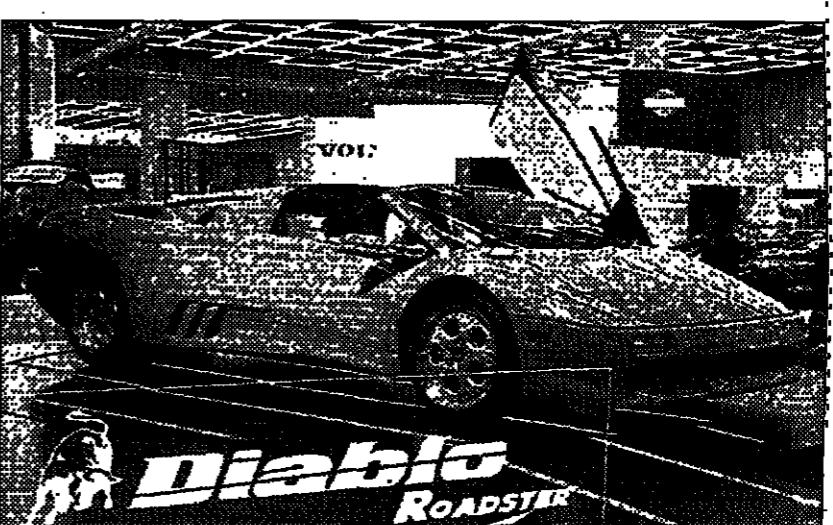
Audi said Lamborghini would become a subsidiary along with Hungarian unit Audi Hungaria Motor Kft. Volkswagen also owns the Spain-based SEAT SA and Czech Republic-based AS Bratislava.

Volkswagen shares fell 38 DM, or 2.3 percent, to 1,595.

Analysts said the acquisition would have little or no effect on VW profit.

"Volkswagen is merely trying to enhance its image as a maker of distinctive, classy autos," said Rolla Kautz-Pan, an auto industry analyst at BHF-Bank AG in Frankfurt. "They won't sell any more Audis or VWs because they own Lamborghini. They're looking at long-term image enhancement."

Volkswagen is buying a tiny slice of the small top-end luxury or "super car" market that includes Italy's Ferrari SpA and is more exclusive than Porsche or Jaguar. (AP/Bloomberg)



A Lamborghini Diablo Roadster VT at an auto show in Detroit in 1996.

WALL STREET WATCH

Electronic Trading Makes Big Inroads

Threat to 'Open Outcry' Cuts Prices for Seats on Traditional Exchanges

By David Barboza
New York Times Service

NEW YORK — In Chicago, New York, Philadelphia and even London, the prices of seats on major financial exchanges have plummeted by as much as 40 percent in the last few months.

At the Chicago Board of Trade, the world's biggest futures exchange, a membership seat sold for \$495,000 this week, down 42 percent from the record \$837,500 paid earlier this year. At the New York Stock Exchange, a seat sold a few weeks ago for \$1.35 million, down from a record \$2 million in February.

Consolidation among exchanges, languishing stock prices and falling commodity prices are among the factors pushing down seat prices — sometimes viewed as an indicator of market sentiment. But perhaps the biggest concern is the rise of electronic trading, which poses a threat to all the traditional exchanges where traders still gesticulate on a trading floor and lose themselves in hand signals and wads of paper.

"The specter of electronic trading is hovering over the industry like a black cloud," said Patrick Arbor, chairman of the Chicago Board of Trade.

Mr. Arbor does not see an end to traditional, or "open-outcry" trading, noting that volume on most exchanges is booming. He and officials at other exchanges say they expect traditional and electronic trading to coexist.

Still, traders are closely following the planned introduction this summer of an electronic futures exchange, which would go head to head with the Chicago Board of Trade and which could show just how willing people are to make the shift to electronic transactions.

Meanwhile, electronic trading is winning converts in London, Paris and Frankfurt, and many of the European exchanges are preparing to install their electronic systems at U.S. exchanges, which have also begun to experiment with electronic trading.

Though seat prices tend to be volatile, such rapid drops are unusual absent a sharp decline in the performance of the financial markets.

One reason for concern among some smaller exchanges is the consolidation among the big guys. In March, the National Association of Securities Dealers, which operates the Nasdaq stock market, said it would merge with the American Stock Exchange. This week, the American Stock Exchange signed a pact to merge with the Philadelphia Stock Exchange.

In addition, the Board of Trade of New York — created this week by the merger of the New York Cotton Exchange with the Coffee, Sugar and Cocoa Exchange — is working with Cantor Fitzgerald, a Wall Street brokerage, to form an electronic futures exchange, the Chicago Financial Futures Exchange.

The Chicago Board of Trade said this week that it would consider a public stock offering for its after-hours electronic trading system to bolster the value of its memberships while raising money for technology improvements.

Because of the increasing global nature of securities markets, U.S. exchanges cannot afford to ignore changes abroad. An important sign of what lies ahead may be seen in Europe. The Matif, the French futures exchange, introduced electronic trading alongside its floor trading last April. Volume soared in the electronic arena, while floor trading plummeted. Last week, the Matif abolished the open outcry system and decided to go entirely electronic.

In Germany, the Deutsche Terminboerse, an electronic futures exchange, has recently captured market share from Europe's largest futures exchange, the London International Financial Futures and Options Exchange, which is primarily an auction market with hundreds of traders.

After a barrage of criticism, the Liffe, as the London exchange is known, voted overwhelmingly this week to speed up plans to introduce an electronic trading system, a closed network. This would make them available electronically before a new system is introduced by the second half of next year.

Liffe's Electronic Effort

A Liffe proposal to move bond-futures contracts to an existing electronic network soon is long overdue and could help the exchange regain some market share, members said Friday. Reuters reported from London.

But the move, to be considered at a board meeting next week, is no substitute for the new state-of-the-art electronic system planned next year.

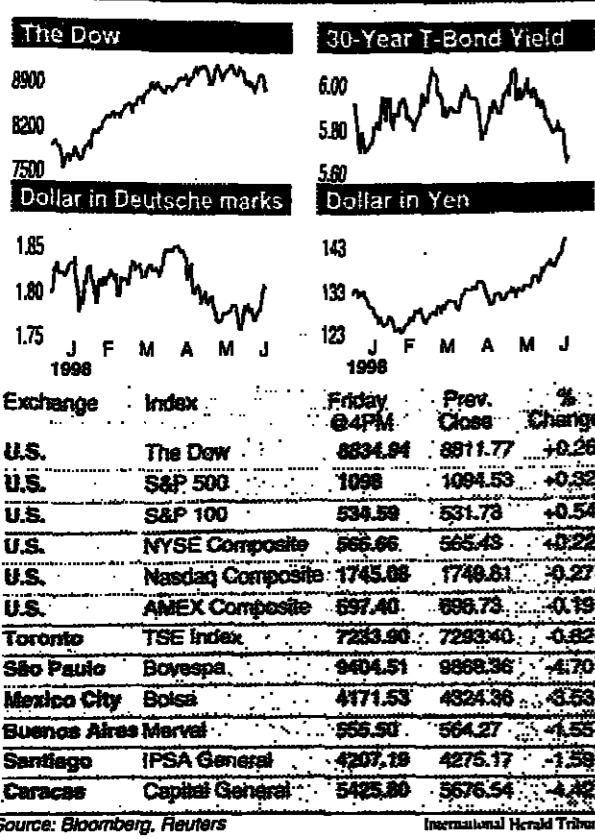
Traders said Thursday that German Bund and other bond futures might be listed on Liffe's existing Automated Trading system, a closed network. This would make them available electronically before a new system is introduced by the second half of next year.

CURRENCY & INTEREST RATES

Cross Rates		June 12		Libid-Libor Rates		June
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Investor's America



Dollar Keeps Pressure on Yen as Japan Cites Slump

Compiled by The Staff from Reuters

NEW YORK — The dollar hovered near an eight-year high against the yen Friday after Japan said its economy shrank for a second straight quarter, dimming hopes for recovery there and across Asia.

"They're officially in a recession now," said Kevin Lawrie, global foreign exchange manager at Mellon Bank. "We've been expecting some sort of action from them, whether a rate adjustment or intervention, but they sit back and don't do a heck of a lot."

The dollar was at 144.33 yen in 4 P.M. trading, up from 143.98 Thursday.

The U.S. Treasury secretary, Robert Rubin, noted Friday that the

Source: Bloomberg, Reuters

International Herald Tribune

Murdoch and Malone to Televisé TV Guide

By Steven Ginsberg
Washington Post Service

WASHINGTON — Two television tycoons, Rupert Murdoch and John Malone, are joining forces to establish an on-screen version of TV Guide magazine that will offer extensive listings for programs on broadcast, cable and satellite systems — and, they hope, bring in huge amounts of advertising.

Mr. Malone's little-watched Prevue Channel, which delivers scrolling channel listings to 50 million homes, will be "rebranded" as a TV Guide channel. The partners hope that the cachet of that famous magazine name will draw large numbers of viewers and make it a favored channel for dollar ads.

Under terms of the deal, ownership of the magazine will shift to a joint venture between the partners. Mr. Murdoch's News Corp., the current owner, will sell it for \$2 billion in stock and cash to United Video Satellite Group Inc., which is now controlled by affiliates of Mr. Malone's Tele-Communications Inc.

As part of the deal, News Corp. will also get 40 percent of United Video and half the votes on

its board. "What we're really doing," said Peter Boylan, president of United Video, "is trying to create a new media company that marries the TV Guide print expertise with United Video's interactive expertise. It will create a ubiquitous product to help TV viewers navigate an increasingly cluttered screen."

"It's a good deal all around," said Edward Hatch of UBS Securities. "News Corp. saw that TV Guide was rich in content but had limited growth. United's electronic Prevue Channel has strong distribution but limited content. Both parties look at this as a way to marry two companies into a strong service that should feed off competition."

After the deal, TV Guide's name will be swapped across five entities: TV Guide magazine, TV Guide channel, TV Guide International, TV Guide on-line and TV Guide interactive. The five bodies will essentially serve as one giant home for advertisers. Therefore, when a company buys an ad, it will be broadcast on all five mediums and will span the globe.

"The theory is to create a new media company that has never been seen before," Mr. Boylan said. "We'll have the ability to sell an

ad around the world to different cultures and in different languages."

For News Corp., the deal also represents the shedding of the old for a shot at the new. TV Guide is one of the most successful magazines in the United States, but Mr. Murdoch has not been able to use it as an effective promotional vehicle for the Fox network, analysts said.

He had TV Guide for 10 years, and he never accomplished what he wanted to do," said Bishop Cheen of First Union Capital Markets. "I don't think he found a way to get the synergies out of TV Guide and Fox that he wanted."

Furthermore, the market for TV Guide has leveled off, and there is little prospect for expansion. "This deal allows us to be where the growth is," said Jim Platt, a News Corp. spokesman.

While the print version of TV Guide is somewhat outdated by today's interactive and informative standards, its televised incarnation will be state-of-the-art, the partners said. The new channel will provide viewers with detailed information of show listings, background information and other relevant material through a series of menus and submenus.

FOREIGN EXCHANGE

MARKETS: Japan's Slide Into Recession Shakes Equity Markets Worldwide

Continued from Page 1

143.98 yen on Thursday.

Some economists said it was now only a matter of time before the dollar broke through 145 yen to pave the way for a dollar rise to around 160 yen by year-end if Japan's economy remains in bad shape.

The U.S. Treasury secretary, Robert Rubin, said meanwhile that it was up to Japan to stimulate its economy and raise the value of its yen, although the United States is concerned about the decline in the Japanese currency.

"Their economy is in recession, their currency is exceedingly weak, and we are very concerned about that weakness," Mr. Rubin said, echoing remarks he made Thursday in Washington.

Germany is Russia's biggest lender and trading partner, so good news for Russia typically boosts the mark. The IMF has said its executive board was expected to approve \$670 million in aid for Russia on Thursday, the latest payment of a previously agreed loan. It said it may make additional money available if necessary.

"IMF staff will continue to engage in intensive dialogue with the Russian authorities," the Fund said. "If it is judged appropriate and necessary, additional financial assistance could be made available in the context of further policy measures" by Russia.

The dollar was at 1,4993 Swiss francs, up from 1,4955 francs, and at 6,0635 French francs, down from 6,0635 francs. The pound was at \$1.6355, up from \$1.6275.

(Bloomberg, Bridge News)

The weak Japanese economy "is effecting Asia, and in turn is effecting Russia," Mr. Rubin said.

Japan needs an "effective" fiscal stimulus, he said, and also needs to open its markets and deregulate its economy.

But analysts say the United States

U.S. STOCKS

will not be able to sit on its hands for much longer as Asian instability begins to take a bigger bite out of the U.S. and global economy.

Despite the sharp declines, European traders said business was light.

"The market's very jumpy and very thin, so we're seeing disproportionately big moves," said one dealer in London.

The FTSE-100 share index fell 82.70 points to 5,769.80.

German shares closed at their lowest level in the last week as Asian gloom weighed the market.

But dealers said the damage was not as severe as it seemed. They said market confidence was not shaken and further tests of new highs were possible in the short-term.

The Xetra DAX, reflecting all-day computer-trade, ended 167 points weaker at 5,631.34.

French stocks extended their opening losses on Wall Street's drop and worries about the Asian crisis.

"Sentiment is not one of panic but rather prudence," one French trader said.

The CAC-40 index closed down 90.85 points at 4050.76.

On Wall Street, the Standard &

Poor's 500 Index rose 4.26 points to 1,098.84. The Nasdaq Composite Index, heavily weighted with computer companies, fell 4.68 points, to 1,745.07.

Declining stocks led advancers on the New York Stock Exchange by a 2-to-1 ratio.

The falling yen and Japan's weak economy will cut into U.S. profits, and "I don't think we've priced it in yet," said Robert Brown, a market strategist at Ferris Baker Watts in Baltimore. "This has big, big potential on the downside."

Makers of semiconductor-manufacturing equipment fell after ASM Lithography Holding NV said weak sales and cost of new products would mean lower profit in 1998 than last year.

Applied Materials Inc., the world's largest, fell 1 1/4, to 26 13/16.

MEMC Electronic Materials Inc.,

a supplier of silicon wafers used to make microchips, said its second-quarter loss would widen from the prior quarter's because of economic turmoil in Asia and falling prices for semiconductors. MEMC fell 1 to 11 1/4.

Compaq Computer rose 1/16 to 28 1/4, after it said it planned to take \$5.4 billion in charges for its acquisition of Digital Equipment Corp., plus an unspecified charge for a restructuring that includes 2,000 Compaq job cuts. (Reuters, Bloomberg, Bridge News)

Very briefly:

• Brazil's Soma electronic stock exchange said it will close early Tuesday and June 23 so employees can watch Brazil's national soccer team play at the World Cup in France. Sao Paulo's Bovespa stock market will follow suit.

• The U.S. producer price index rose 0.2 percent last month, Labor Department figures showed.

• General Motors Corp. resumed talks with strikers at two parts plants as the impact of their strike forced 35,700 layoffs at 19 North American factories. GM's hard-line stance could cost more than expected, analysts warned, without yielding significant productivity gains.

• McDonald's Corp. fired the two young fast-food workers who organized the first known strike against the fast-food giant. McDonald's said the pair, who worked in a Cleveland suburb, were fired for threatening a restaurant manager and blocking an exit.

• USA Waste Services Inc., close to completing its \$21.52 billion purchase of Waste Management Inc., plans to cut 1,500 of the 1,700 jobs at Waste Management headquarters.

• Northwest Airlines is being investigated by the government over allegations that it improperly maintained its aged DC-9 airplanes and that a local Federal Aviation Administration inspector may not have properly supervised the operation.

Bloomberg, AP, Reuters

Magazine Gives Gates a Soapbox

The Associated Press

WASHINGTON — Sued by the Justice Department and 20 states, Microsoft Corp. is fighting back with its most extensive public defense of the company to date.

In a three-page essay in The Economist magazine, Bill Gates, the chairman of Microsoft, attacked the antitrust case as "the government's lawsuit on behalf of Netscape."

"We are defending the legal rights of every company to decide which features go into its own products," he wrote.

The International Herald Tribune World Stock Index tracks the U.S. dollar value of 260 internationally investable stocks from 25 countries. Compiled by Bloomberg News

The Tribune Index Prices as of 4:00 P.M. New York time.

Jan. 1, 1998 = 100 Level Change % change year to date % change

World Index 188.68 -1.09 -0.57 +9.83

Regional Indexes

Asia/Pacific 77.56 +0.05 +0.06 -19.27

Europe 227.61 -3.68 -1.59 +17.91

N. America 245.83 +1.88 +0.77 +13.82

S. America 125.26 -3.58 -2.78 -17.95

Industrial Indexes

Capital goods 235.04 -0.44 -0.19 +13.78

Consumer goods 227.06 +0.78 +0.34 +9.26

Energy 204.54 -2.04 -0.99 +4.91

Finance 134.40 -1.49 -1.10 +9.30

Miscellaneous 139.79 -2.89 -2.03 -6.73

Raw Materials 201.31 -3.31 -1.62 +20.37

Service 200.05 -2.08 -1.03 +14.77

Utilities 165.17 -1.87 -1.12 +1.02

U.S. STOCK MARKET DIARY

The Associated Press

NEW YORK — Compaq Computer Corp., hours after getting the go-ahead from shareholders to acquire Digital Equipment Corp., said Friday it was cutting 2,000 of its own jobs as part of the \$9 billion acquisition — the biggest ever in the high-tech industry.

The cuts in Compaq's 31,500-strong work force over the next year were disclosed to financial analysts

INTERNATIONAL FUTURES

in New York late Thursday, hours after Digital shareholders voted to sell the computer company to Compaq and end the industry pioneer's 42 years of independence.

The companies had already

been expected to cut 15,000 jobs at Digital — about one-fourth of Digital's work force. The new cuts are in addition to those at Digital.

In an emotional meeting in Westford, Massachusetts, about

72 percent of shareholders voted for the deal, erasing the last hurdle to the merger and making Compaq the second-largest computer maker in the world, behind IBM.

Only three of Digital's top executives were tapped to join Compaq's senior management team.

Robert Palmer, chairman, president and chief executive officer of Digital, will leave the company by the end of July.

Est. sales: 40,000 Thru sales: 20,233 Then open int: 24,416, up 52,111 Then open int: 24,478, up 1,747

Then open int: 24,478, up 1,747

SOYBEAN OIL (CBOT)

5,000 lbs/cents per bushel

June 12, 1998 High: 15.00 Low: 14.90 Last: 14.90 Chg: +0.05 Opt: 104.20

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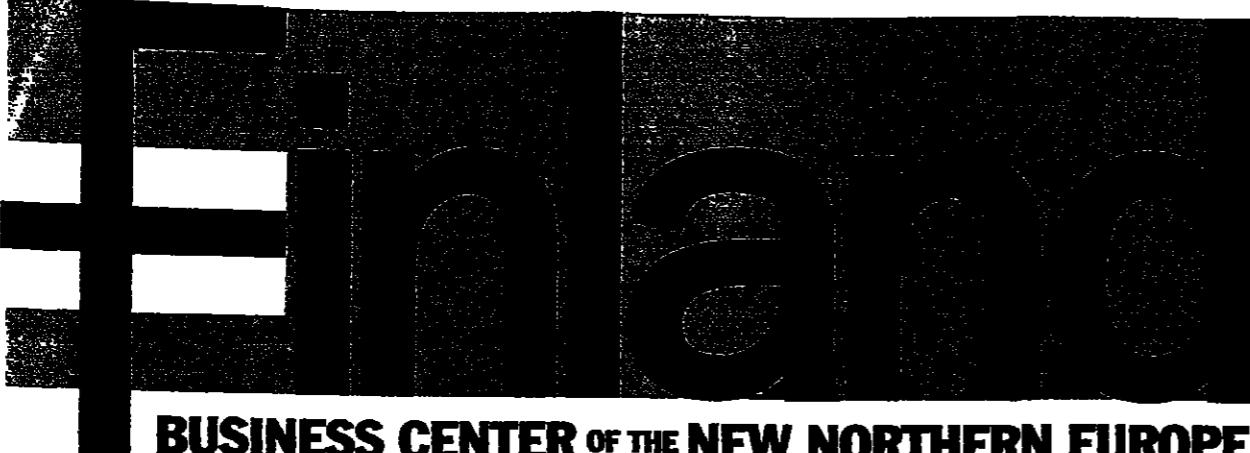
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Feb 12, 1999 High: 15.00 Low: 14.90 Last: 14.90 Chg: +0.05 Opt: 104.20

Mar 12, 1999 High: 15.00 Low: 14.90 Last: 14.90 Chg: +0.05 Opt: 104.20

Apr 12, 1999 High: 15.00 Low: 14.90 Last: 14.90 Chg: +0.05 Opt: 104.20

May 12, 1999 High: 15.00 Low: 14.90 Last: 14.90 Chg: +0.05 Opt: 104.



AT THE HEART OF A GROWING MARKET

Finland's location and economic strength make it a natural business center for Northern Europe.

Finland prepares to assume the presidency of the European Union in 1999, the country has definitively left behind the recession of the early 1990s, which had produced an economy split between successful exporters and struggling domestic suppliers.

"Although growth in exports is slowing down, they are still growing faster than expected and are well ahead of imports," says Markku Kotilainen, head of forecasting at ETLA, an independent economic research institute. "We expect the Asian crisis to have substantial negative effects in the machinery sector only."

According to Statistics Finland, in 1997 exports grew by 13.9 percent, to 211 billion markka (\$40.7 billion), while imports rose 12.9 percent. ETLA forecasts that exports will rise by "only" 7 percent in 1998, while imports are expected to grow by 8 percent.

Allied to the strong economic picture is a new and more positive outlook concerning Finland's place in the EU and the world.

"As the economy globalizes, the traditional export pattern is not so valid," says Pasi Natri, senior vice president at the Finnish Foreign Trade Association (FFTA).

"We help Finnish companies to internationalize their operations and minimize the risks involved."

Part of this new outlook is a vision of the country as the center of a high-potential economic zone dubbed the New Northern Europe (NNE). This zone comprises three distinct markets: Scandinavia (Denmark, Sweden, Norway and Finland), the Baltic States (Estonia, Latvia and Lithuania) and Northwestern Russia (Moscow and St. Petersburg).

The combined markets are home to almost 80 million consumers — and all major points can be reached by surface carrier from Finland within 24 hours.

The FFTA has pinpointed four advantages that Finland can offer companies in both the East and West that are seeking to do business in the region.

The first, logistics, is the most visible, as it has served both before and after the Soviet era. Every month, an average of 20,000 trucks, carrying mainly consumer goods, cross into Russia from Finland, the only EU member to share a border with the Russian Federation.

"This may become less important as infrastructure improves south of the Baltic," says Mr. Natri.

Matti Aura, minister of transport and communications, feels that "there will be enough traffic for everybody. Finland is not the only possibility, but at the moment it is the smoothest, with up to a thousand trucks daily, and the waiting time is a few hours at most."

Second, the FFTA is eager to facilitate partnerships among Finnish firms and their counterparts elsewhere in the region.

"We cannot provide sophisticated financial instruments, but we do offer a comprehensive knowledge of Eastern markets and their business ways," says Mr. Natri.

The third area the FFTA identifies is the role of Finnish companies as providers of services, which can range from business support to the provision of emergency assistance — for example, flying in doctors to assist patients in need of surgery.

Finally, the FFTA sees Finland as a strong potential base for direct investment in the NNE, offering added value for all companies.

"We are the last in the Nordic nations for U.S. direct investment. This will change due to the obvious Finnish advantages, especially toward Russia," says Mr. Natri. "Change there may take decades, but the needs there are so great because they start from a low level. This means that the potential is huge for a small economy."

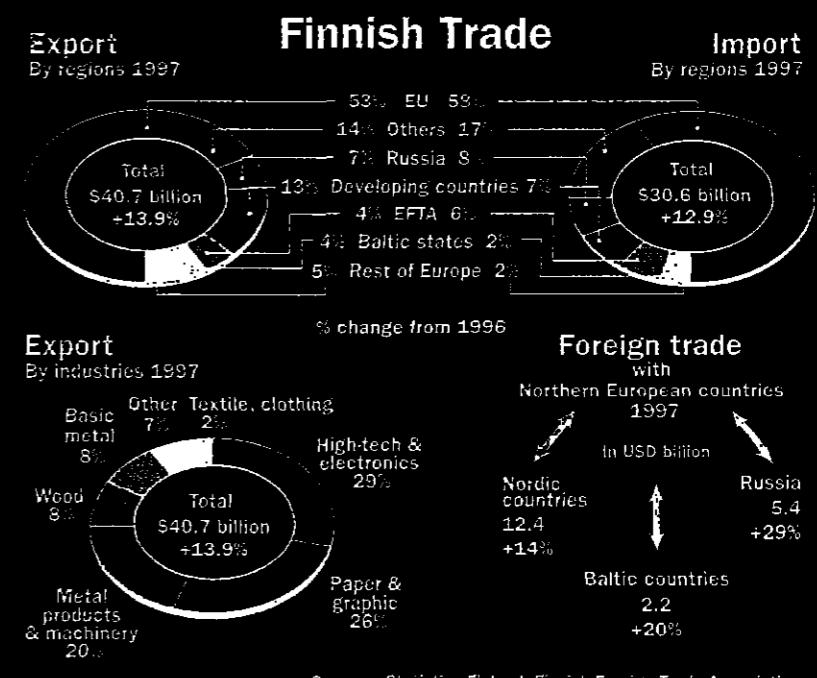
With the inauguration of the NNE has come an expansion of the domestic market and the redefinition of what constitutes a Finnish company.

Says Mr. Natri: "Nokia is a Finnish company, but 70

Continued on page IV



A strong partner Finland is driving force for stability and prosperity in the region and in Europe at large.



Finnish Trade

Import
By regions 1997



Export
By industries 1997



Sources: Statistics Finland; Finnish Foreign Trade Association

GIVING EUROPE A NORTHERN DIMENSION

Finland's proposal would benefit the entire Continent.

In 1995, Sweden and Finland joined Denmark as members of the European Union — and, thanks to Finland, the European Union gained a Russian border. Now Estonia and Poland have begun EU membership negotiations.

As Finnish officials see it, these northern developments bring both opportunities and challenges to the EU, ones they would like to see handled through a comprehensive policy. Since last year, Finnish leaders have been suggesting the

establishment of a "Northern Dimension" policy. At the Luxembourg summit in December, the European Commission agreed to consider a Finnish proposal on a policy for the northern region.

Finland wants to encourage the EU to draw up a clear plan for relations with its northern neighbors: the two non-EU Nordics, the three Baltic states, Poland, and most of all, Russia.

According to Prime Minister Paavo Lipponen, "The basic objective is to define the Union's interests and clarify

its priorities in this area in order to formulate a policy. Geographically, the Northern Dimension covers an area from Iceland to northwestern Russia, and from the Arctic Ocean to the southern coast of the Baltic Sea, including the countries surrounding the Baltic Sea."

Clearly, there are dramatic political and economic variations within this vast area. Finland, which has long seen itself as a mediator between East and West,

Continued on page IV

From possibility to reality.

A revolution in papermaking has begun.

The world's leading paper machine manufacturer, Valmet, has turned a new paper machine concept into reality by combining its know-how of making paper and machinery as well as automation technology.

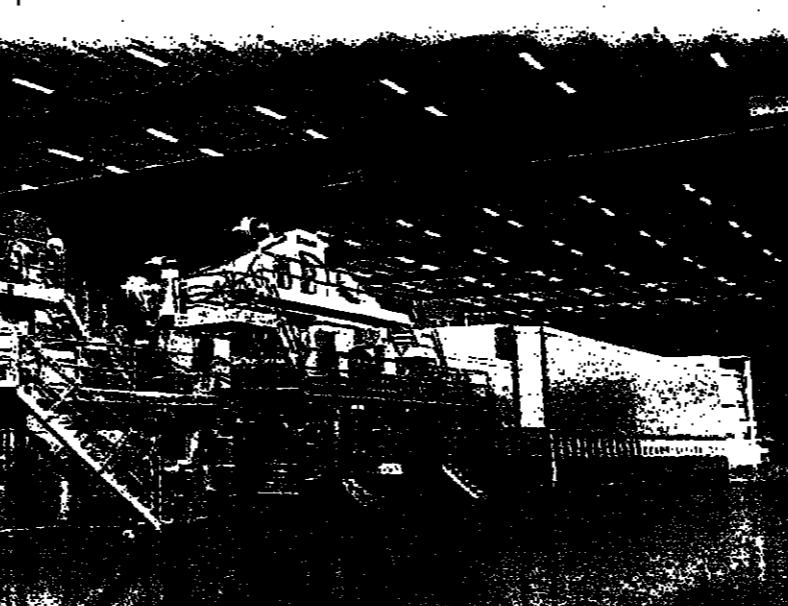
The result is an all-new and unified paper machine entirely, which is fast, environmentally compatible and economical. It also produces better quality paper than ever before.

Valmet turns this all into a reality through its high technology and wide-scale product development activities. In this way, Valmet ensures customer satisfaction and their profitable operations — also in the future.

The paper machine of the next millennium is proof of the possibilities offered by Valmet.

Valmet's new paper machine concept: better quality paper, made faster, more economically and with greater respect for the environment.

Valmet is the world's leading supplier of paper and board machines and related process automation. The main markets are in Europe, North America and Asia-Pacific. Valmet's shares are traded on the Helsinki and New York Stock Exchanges and on the international SEAQ system in London.



VALMET

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SPONSORED SECTION

LIGHT YEARS AHEAD

Telecommunications firms offer cutting-edge products and services.

Finland leads the planet with the highest concentration of mobile phones, Internet access and PC use. Because the domestic market is so sophisticated, it has proved a demanding testing ground for products destined for the rest of the world. Nonexistent in the 1980s, the telecommunications sector has now become, according to some estimates, the power base of the economy thanks to its explosive growth and aggressive innovation.

The tip of the telecommunications iceberg is Nokia, but it is not the only company in the sector with a worldwide presence. Benefon started up a decade ago and recorded sales of \$61 million for 1997, with a bottom line of \$5 million as a niche mobile phone producer.

"We concentrate on products based on our own technology and our PQL — performance, quality and looks — philosophy," says Benefon President Jorma Nieminen.

Though Benefon is the world's number two producer of the older NMT 450 mobile phones — a market that is still expanding in Northern, Central and Eastern Europe — the firm launched its GSM products last year. From its base in Salo, 96 percent of production heads abroad.

Nokia is a true global brand and is going from strength to strength, adding financial clout to its wide product range and marketing finesse. In 1997, Nokia's sales reached \$9.8 billion, while profits were \$1.5 billion.

"The mobile phone is a communication tool that is replacing the wireline system," says Uko Lappalainen, Nokia's head of marketing for new radio systems. Forty-five percent of Finns own a mobile phone, while 55 percent have wireline phones.

The latest Finnish telecommunications firm to go

international is SONERA, the former Tele Finland, which has invested large sums abroad in mobile phone operators in neighboring Northern European and Baltic countries and in places as diverse as Lebanon, Hungary, Hong Kong and Turkey.



VALUE-ADDED MOBILE PHONE SERVICES INCLUDE SHORT MESSAGING AND MOBILE MULTIMEDIA.

encouraging, for example. Improvements will quicken access speeds to be more convenient and comparable to a PC," Mr. Lappalainen says.

Meanwhile, to bring more people on-line, the Helsinki Telephone Corporation (HPY) is developing a project to create 3-D (VRML, or Virtual Reality Markup Language) model of the Finnish capital in cyberspace.

When the project is completed, Helsinki citizens will be able to move around their virtual city using a PC, with all cultural, commercial and public services accessible on-line. The project, called Helsinki Arena 2000, was created by Risto Linturi, Multimedia Technology Director of HPY.

Presently in its growth phase, the system's features are expected to be fully operable by the millennium.

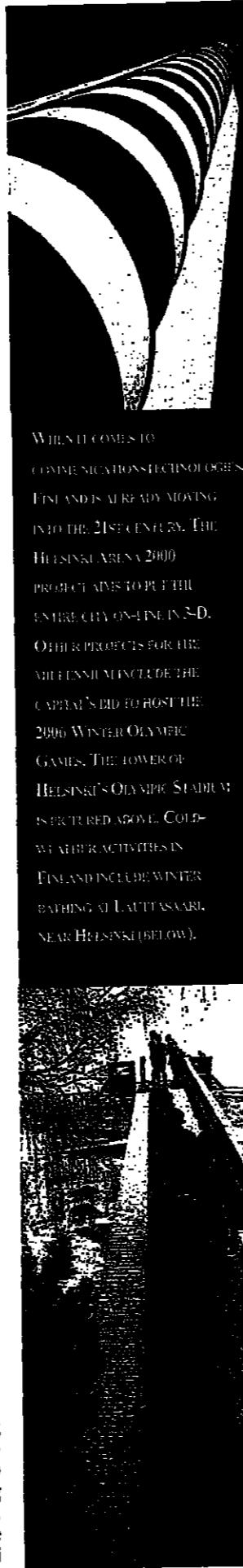
Today, the city counts 10,000 ISDN (Integrated Services Digital Network) users and a mere 100 users of the next-generation high-speed Internet data technology, DSL (Digital Subscriber Line).

These numbers are expected to grow exponentially, as has been the case for Internet access. HPY estimates that it will have half-a-million subscribers in 10 years.

"It will enable the PC user to communicate with multimedia, both transmitting and receiving, and interfaces will be designed that people can use," says Mr. Linturi.

It is also important to Mr. Linturi that the system is democratic, i.e. two-way, and responsible.

"Helsinki is spearheading this community communication, with people talking to each other, not just viewing an organization's output. Other cities' projects are centralized," John Pagni



WHEN IT COMES TO COMMUNICATION TECHNOLOGIES FINLAND IS ALREADY MOVING INTO THE 21ST CENTURY. THE HELSINKI ARENA 2000 PROJECT AIMS TO PUT THE ENTIRE CITY ON-LINE IN 2000. OTHER PROJECTS FOR THE MILLENNIUM INCLUDE THE CAPITAL'S BID TO HOST THE 2000 WINTER OLYMPIC GAMES. THE TOWER OF HELSINKI'S OLYMPIC STADIUM IS USED ABOVE. COLD-WEATHER ACTIVITIES IN FINLAND INCLUDE WINTER BATHING AT LAUTTASAARI, NEAR HELSINKI (LEFT).

HELSINKI'S OLYMPIC AMBITIONS

The capital's bid to host the 2006 Winter Olympics aims to revive the "Helsinki spirit."

The use of existing facilities in Lillehammer in neighboring Norway is the foundation of Helsinki's bid to host the 20th Winter Olympics in 2006.

Helsinki is invoking a revised clause in the Olympic Charter, which rules that "for the Olympic Winter Games, when for geographical or topographical reasons it is impossible to organize certain events or disciplines of a sport in the country of the host city, the IOC may . . . authorize the holding of these in a bordering country."

In its bid, Helsinki is competing with strong rival bids from Switzerland, Poland, Slovakia, Italy and Austria. It has until 1999 to convince the IOC of its merits.

It has been 46 years since Helsinki hosted the Summer Olympics, and the Helsinki 2006 bid organizers think it is high time the five Olympic rings were displayed again across the city.

Proven efficiency
"The 1952 Summer Games were a great success and saw the founding of the Helsinki Spirit," says Helsinki 2006 Project Manager Jari Piirainen at the campaign headquarters in the shadow of Helsinki's Olympic Stadium tower.

This "Spirit" was manifested in the friendly neutrality of postwar Finland, making it the perfect host for six East-West summits and numerous international gatherings.

The Summer Games are huge these days, and we don't have the capacity for

them; it would not be feasible to build the facilities," Mr. Piirainen says. "But for the Winter Games we already have all the necessary indoor facilities for sports such as ice hockey, curling and ice skating, and there are plans to build a speed-skating arena. Our excellent cooperation with Lillehammer (just 90 kilometers to

the reuse of Lillehammer's facilities must be an advantage for our bid," says Mr. Piirainen. "Their Games were very well organized and well-attended, and the facilities are excellent."

Mr. Piirainen points to the experience and proven efficiency of Finland and Norway in the organization of major sports events as an



HELSINKI HAS ALL THE NECESSARY INDOOR FACILITIES FOR ICE HOCKEY, CURLING AND FIGURE SKATING AND PLANS TO BUILD A SPEED-SKATING ARENA.

the north of Helsinki and the site of annual winter sports events) gives access to Nordic ski facilities, such as cross-country skiing and ski-jumping."

Finland, with its northernmost quarter located above the Arctic Circle, is a safe bet for snow in winter, but its gently rolling terrain does not lend itself to Alpine events. Enter Lillehammer, the Norwegian venue for the highly successful 1994 Winter Olympics.

The logistics of the plan may sound problematic but

are more convincing on closer inspection. Each site — Helsinki, Lillehammer and Lillehammer — would have a self-contained Olympic Village.

The opening of Oslo's new international airport in 1998 will expedite and allow the expansion of air services — already well-established — between Finland and Norway, and Lillehammer is a short overland journey from the Norwegian capital. Lillehammer is already linked to Helsinki by rail and highway.

The cultural affinity between Finland and Norway would facilitate cooperation, and the enthusiasm of both populations for sports of all kinds would ensure a substantial local audience. In the 102-year history of the modern Olympics, Finns have won 419 medals at both summer and winter gatherings.

Local support
There is no shortage of enthusiasm, then, but who will foot the estimated \$580 million bill? Helsinki City Council has pledged \$2.8 million to back the initial campaign, while the Finnish Parliament has approved a \$360 million guarantee against possible losses. Sponsors would no doubt form a long line were the bid successful.

Local public support, meanwhile, is warming up. "A poll by Finnish TV in April 1998 showed 55 percent in favor," says Mr. Piirainen. "I'm expecting that to increase to 70 or 80 percent within a few months."

Tim Bird



Fast-Growing Capital With an Eye on the Future

Helsinki is approaching its 450th anniversary in the year 2000 with a newfound vigor and confidence. Helsinki's numerous assets often come as a surprise to those not familiar with the Finnish capital. It is blessed with political stability, low crime rates, excellent infrastructure, a splendid environment and efficient services.

Its case as a location for expanding businesses is made even more convincing by the geographical location of the city. Only a decade or so ago, before the collapse of the Soviet Union, this location was of far less consequence. But there has been a significant shift in economic interest since the Soviet empire fragmented in the early 1990s and Finland joined the European Union in January 1995. This permanent geopolitical shift has injected new life and status into Helsinki.

Says Mikael Schier of Helsinki City Hall: "Helsinki is at the heart of the Baltic Sea region and on the crossing point of the axis between Berlin in the south and Murmansk in the north, and Oslo in the west and Saint Petersburg in the east. Finland is backed up by its EU membership, and Helsinki is the fastest-growing capital area in the EU, with a population of 1.1 million and rising. Finland's border with Russia, which runs for well over a thousand kilometers, is now more significant than ever."

Wide expertise
Helsinki's contacts with its eastern neighbor have always been strong, and now the rest of the world is waking up to the existence of a potential market of 5 million people — the same as Finland's entire population — in the Saint Petersburg region alone.

The Barents Sea region in northern Russia has enormous mineral resources," says Mr. Schier. "The Russians cannot exploit these on their own, because they do not have sufficient capital. So companies from the United States, for instance, are basing themselves in the Helsinki area, from which the Barents region is accessible. Helsinki's state-of-the-art and very cheap telecoms system is one of the facilities they find invaluable."

Other advantages listed by Mr. Schier are the city's major and internationally respected educational institutions, attended by 42,800 students. About 21 percent of the population has a university degree or its equivalent. Excellent language skills are the norm: English, German and, increasingly, Russian are widely spoken, and not only among the business community.

Moreover, Helsinki has a modern transport infrastructure. Helsinki Airport has promoted itself successfully as a gateway hub between east and west, and there are daily rail services to

and from Saint Petersburg and Moscow. Enormous, luxurious ferries ply the Baltic, bringing the regional neighbors in Tallinn, Stockholm and Gdańsk both physically and psychologically closer. Helsinki has Finland's biggest passenger and goods harbor, and although the coastal waters freeze in the winter, the capital's expanding modern docks and quays are kept open throughout the year.

Built for business

Nyki Tuominen, business development manager of the Helsinki City Office, confirms that companies with an eye on the Russian market are increasingly keen to set up camp in Helsinki. "In the last two or three years, we have noticed an increasing number of

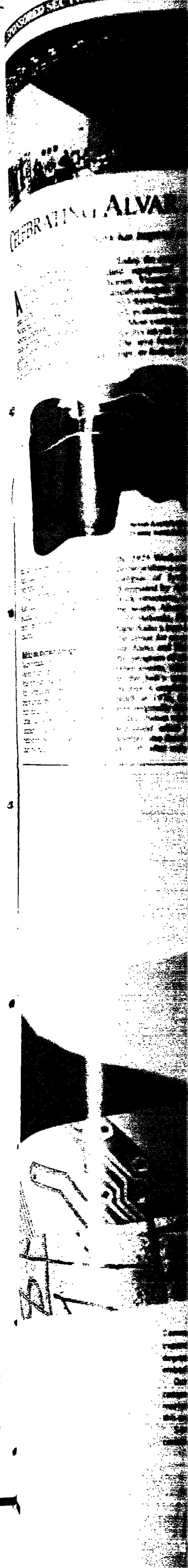
companies showing an interest in opening offices in Helsinki," he says. "Most of their opportunities are in the Saint Petersburg area, but just 24 hours farther by truck is the Moscow area, and a further market of 50 million people. Companies find Helsinki a good base because it's safe and clean, and because it has a good business infrastructure."

Mr. Tuominen adds: "Russian legislation, if it exists in the first place, changes all the time. As a foreign company you may have privileges, but they do not compensate for the unpredictability. The free-market context and rules for establishing and carrying out business here will be familiar; they present no obstacles, as they do — and will continue to do for some time — in Russia itself. A high standard of living, comprehensive business services and skilled labor are also advantages."

Helsinki is not content to sit back and wait for newcomers, but actively encourages them through organs such as the Helsinki City Business Development Unit, which, as Mr. Tuominen, can put interested parties in touch with the right channels and the right people.

Finland's political neutrality during the Cold War established it as a popular summit site, and it continues to play this role. Not all conferences are of the stature of the Clinton-Yeltsin Summit held here in 1996, but Helsinki still hosts around 100 international events of this kind each year, attracting up to 30,000 participants. This prestige will no doubt find eloquent expression in two upcoming events: In 1999, Finland will serve a term as president of the EU; and during the following year, Helsinki will be one of nine EU-designated European "Cities of Culture."

Helsinki may be about to look back with justifiable pride on its first 450 years, but for those looking for a city with a future, none fits the bill better than Helsinki.



QUALITY OF LIFE: VISITORS AND RESIDENTS ALIKE ENJOY THE CAPITAL CITY'S ESPANADE (ABOVE). A VIEW OF DOWNTOWN HELSINKI (BELOW).





CELEBRATING ALVAR AALTO AT 100

The centenary of the architect's birth has inspired worldwide celebrations.

Alvar Aalto — born on February 3, 1898 in Kuortane, Finland — is indisputably the most influential architect ever to emerge from the Nordic region. His work has inspired several generations of Finnish architects, including Eero Saarinen, who gained a strong reputation in United States after World War II, and more recent leaders such as Juha Leiviskä

Today, the couple's designs are standard equipment in many Finnish homes. Examples are the celebrated amoeba-shaped glass vase and the 1933 three-legged bent-plywood stool, still available and affordable.

Most visiting architecture buffs head for Jyväskylä in south-central Finland. The area boasts a dozen Aalto buildings, including his first public building,

extensive repairs, scheduled for completion next spring, are now under way.

International retrospectives

Internationally, a rediscovery of Alvar Aalto is unfolding. Aalto is less well known in North America, where he designed just two buildings, but his reputation is now growing rapidly. In New York, the Pratt Institute has a show called "Aalto's Play of Light" while the Museum of Modern Art is celebrating Aalto's birthday with a major retrospective, "Alvar Aalto: Between Humanism and Materialism," which will travel to the Centro Internazionale d'Arte e di Cultura di Palazzo Te in Mantua, Italy. Both exhibits are accompanied by lectures, discussions and publications.

Major exhibitions have also been organized in, among other locations, Madrid, Lisbon, Zurich, Stockholm, Rotterdam and Essen (Germany).

The MOMA exhibition catalogue is "a work of profound research," notes Ms. Norri. "There are many new books in Finland as well, and all of the architectural reviews are publishing special issues or articles. He is in the spotlight all over the world."

Among the other new books is a volume of Aalto's philosophy by his friend and official biographer, Göran Schildt, published in four languages. Other anniversary year memorabilia include a CD-ROM and a commemorative coin. There are also two Aalto centennial wines on sale, toasting the architect's taste for Italian vintages.

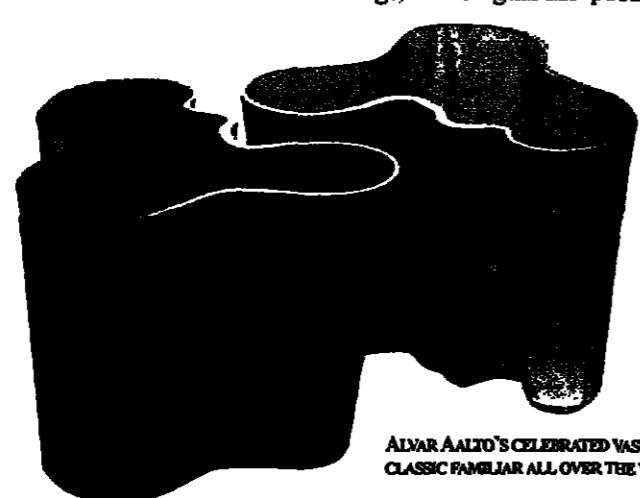
A more lasting spin-off will be an international Aalto Academy in Helsinki, announced by Prime Minister Paavo Lipponen at the MOMA opening. The academy will organize graduate studies in cooperation with the Technical University. Aalto's former home in Helsinki will serve as the academy's headquarters.

Wif Stenger

and Juhani Pallasmaa, who have used Aalto's ideas as a springboard for their own original work.

"What is important now is that Aalto's legacy and influence are being evaluated," says Marja-Riitta Norri, director of the Museum of Finnish Architecture.

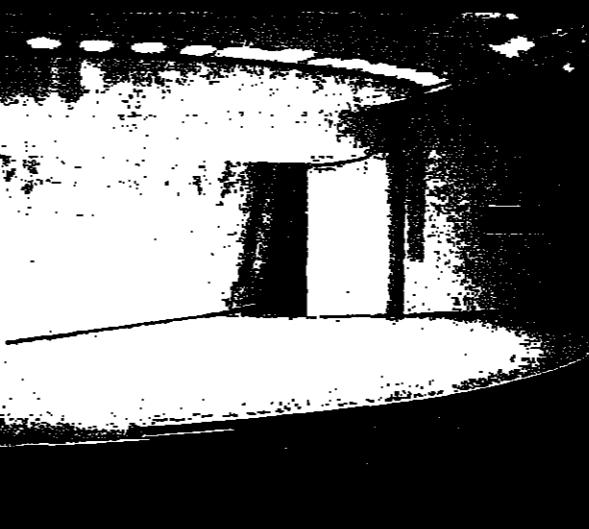
Buildings and interior design
Visitors to Finland who want a durable souvenir of Aalto should head for an Artek shop. Aalto and his first wife, Aino, co-founded the company to sell their housewares and furniture. While many architects design such interior details, Aalto was one of those rare architects who was equally or even better-known for his consumer designs than for his buildings.



ALVAR AALTO'S CELEBRATED VASE IS A DESIGN CLASSIC FAMILIAR ALL OVER THE WORLD.

the 1925 Workers' Club, an ingenious circle-within-a-square design. The campus of Jyväskylä University is dominated by Aalto's curvaceous red-brick structures, and he also designed the nearby Alvar Aalto museum.

In Helsinki, Finlandia Hall — perhaps Aalto's best-known building — is the venue for an exhibition called "Alvar Aalto and Helsinki," as well as a full program of concerts, seminars and other events, which visitors can enjoy in the hall's magnificent, light-filled interior. Completed shortly before his death in 1976, this graceful structure was originally decorated with a facade of thin Italian white marble. Unable to withstand urban pollution and harsh winters, the facade began to curl and fall off after only two decades. Ex-



ALVAR AALTO IN HELSINKI: THE STAGE OF THE "CULTURAL HOUSE" (ABOVE) AND FINLANDIA HALL (BELOW).



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WRITERS: Tim Bird, John Pagni and Wif Stenger, all based in Helsinki.

PHOTOS: All Over Press Finland

PROGRAM DIRECTOR: Bill Maher.

ALVAR AALTO IS ONE OF THE RARE ARCHITECTS WHO IS AS WELL KNOWN FOR HIS DESIGNS OF FURNITURE AND HOUSEHOLD OBJECTS AS FOR HIS BUILDINGS. THIS YEAR'S CELEBRATION OF THE 100TH ANNIVERSARY OF HIS BIRTH HAS INSPIRED INTERNATIONAL EXHIBITIONS, SEMINARS AND SCHOLARLY PUBLICATIONS. IN ADDITION TO PUBLIC BUILDINGS, AALTO ALSO DESIGNED PRIVATE HOMES, SUCH AS THE VILLA MAAREKKA IN NOORMARKU, FINLAND (ABOVE) CREATED FOR HIS FRIENDS MARIE AND HARRY GELLERSEN. TOP LEFT: THE INTERIOR OF THE AALTO-DESIGNED ACADEMIC BOOK STORE IN HELSINKI.



PHOTO: JOHN PAGNI

CAPTURE A NEW ERA



Times change...and we change with them.

Communication is essential to human progress. It allows people to expand their horizons, capture new opportunities, and exercise greater degrees of freedom and choice. Sonera, the former Telecom Finland, embodies these timeless aspirations.

Our new name may seem unconventional for a telecommunications company. Coming from one of the world's most competitive, deregulated markets has taught us how to go beyond convention — and we transfer this experience to international telecommunications and IT markets.

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Today, 8000 Sonera employees help clients implement advanced telecommunications services that improve bottom-line performance. These solutions enable companies to enter new markets, increase productivity, and offer more choice to their customers.

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BUSINESS CENTER OF THE NEW NORTHERN EUROPE

VIBRANT, WORLD-CLASS MUSEUMS

A museum of contemporary art joins Finland's rich cultural landscape.

In late May, the doors of Kiasma — Helsinki's new Museum of Contemporary Art — finally opened to the public. The name refers to the word "chiasma" — a scientific term meaning "crossing over." It was so-named while in the blueprint stage by its designer, New York architect Steven Holl. Kiasma aims to help contemporary art cross over from an elite inner circle to the general public. The museum entices average folks in with free admission to the ground floor and low-priced tickets elsewhere, late opening hours, and plenty of high-tech multimedia and interactive touches.

Since its establishment in 1990, the Museum of Contemporary Art has been, in effect, homeless, borrowing part of a floor at the Ateneum National Gallery. Now it has one of Europe's most up-to-date art halls, worth nearly \$60 million. This vast zinc-coated structure nods to Frank Lloyd Wright's Guggenheim Museum with a sloping, curving walkway. Kiasma's first exhibit focuses on Finnish art; it remains to be seen if it can gather a collection to match the level of the building itself.

Kiasma is just one of several new museums in Finland, joining a fascinating array of older ones. Another opened in May in Helsinki, though on a smaller scale: the Visitor Center in Suomenlinna. This island fortress outside Helsinki harbor is celebrating its 250th anniversary. Accessible only by ferry, Suomenlinna is a vibrant arts community and the capital's single biggest tourist attraction.

Another Helsinki island, meanwhile, features one of the oldest institutions of its kind, the Seurasaari Open-Air Museum. Reached via an elegant wooden bridge, Seurasaari features antique buildings gathered from all over Finland, including an ornate wooden church dating to 1686.

Outside Helsinki, three former homes of celebrated Finnish artists make fascinating jaunts from the city. The composer Jean Sibelius lived and worked at Ainola in Järvenpää, 45 kilometers north of Helsinki, from 1904 until



THE COMPOSER JEAN SIBELIUS LIVED IN AINOLA, NOW A MUSEUM IN JÄRVENPÄÄ.

his death in 1957. One of Sibelius' drinking partners was "Finland's national artist," Akseli Gallen-Kallela. His self-designed seaside home, Tarvaspää, is also a museum, located just past Helsinki's western border in Espoo.

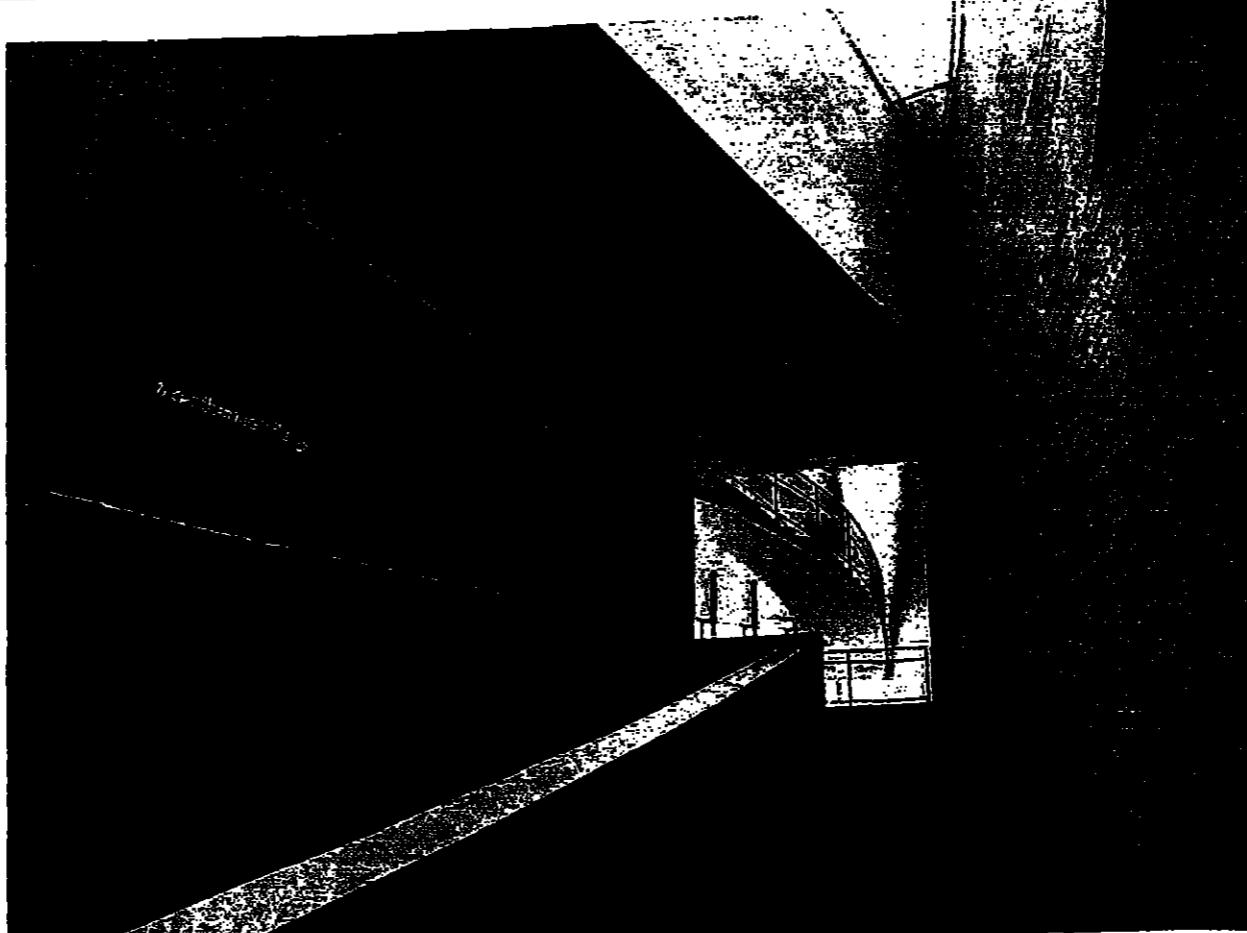
Around the turn of the century, another set of creative bon vivants, architect Eliel Saarinen and two partners, built themselves a dream villa in Kirkkonummi, west of Espoo. Known as Hvitträsk, this massive National Romantic log house is also a museum, dramatically set on a forested hillside overlooking a lake.

Around Finland, a number of old manor houses have been turned into museums. One gem is Pyhäniemi mansion in Hollola, some 100 kilometers north of Helsinki. A genteel setting with gardens, ponds and antiques provides a backdrop for displays of Finnish contemporary art as well as music and poetry performances.

Tampere, Finland's largest inland city, features an offbeat museum called Moominvalley in its main library building. The collection includes original illustrations by Swedo-Finnish author Tove Jansson, creator of the Moomintrolls, whimsical dioramas and other memorabilia. Finland's oldest city, Turku, unveils its past in the Aboa Vetus museum. Here visitors can see an archaeological dig in progress and relive the city's history through sound and light effects. Its sister museum, Ars Nova, presents contemporary art.

In rural western Finland, the small town of Kaustinen has long been known for its folk musicians, and in recent decades for a top world-music festival. Last year, Kaustinen opened a fully equipped Folk Art Center, with exhibits and events year-round.

In April, yet another sleek new building opened, the Northern Finland Visitor Center and Sami Museum. Located in Inari, 250 kilometers above the Arctic Circle, the institution honors the indigenous Sami people of Finland's far north and the natural environment of Europe's last wilderness. **W.S.**



TWO INTERIOR VIEWS OF HELSINKI'S NEW MUSEUM FOR CONTEMPORARY ART, "KIASMA." THE MUSEUM LOOKS OUT ON THE PARLIAMENT BUILDING (BELOW).



COMBINING ECONOMIC SUCCESS WITH ENVIRONMENTAL RESPONSIBILITY

Government, industry and citizens share a commitment to sustainable development.

One salient fact about Finland is obvious from the air: Most of the land area is covered with forest, some 70 percent of it in fact. One reason for this — and a result of it — is the Finns' innate conviction that nature must be protected.

The forest products industry, meanwhile, has long dominated Finland's economy. Though now challenged or even surpassed by the metals sector, the forest industry is showing the way for sustainable development.

"The forest sector has been the most significant in this area," says Seppo Ruonala, a special advisor at the Finnish Environment Institute. "That's because we have this 'forest cluster,' which includes all of the associated sectors. These include metals and machinery, control engineering, consulting, electronics, even logistics, transport, harbors and so on. So action by the forest industry has a broad ripple effect."

In general, Mr. Ruonala says, Finland is well on its way toward the sustainable development outlined by the United Nations-sponsored World Summit on Environment and Development held in Rio de Janeiro in 1992, combining economic success with environmental responsibility. "We have already brought it down to the municipal level and gotten a lot of civic groups involved in reaching these targets," he notes.

Industry has taken up the environmental challenge, partly in response to consumer pressure. What is often seen elsewhere as an expensive annoyance has been turned into a competitive trump card. Finnish companies are eager to demonstrate their environmental commitment internationally, which often provides a marketing edge.

Moves toward sustainable development have even spawned a new sector, developing innovative technologies to preserve the environment. For instance, process control engineering and regulation systems are essential for monitoring and limiting ecological impact. These happen to be areas in which the Finns have long been world leaders. An

"environmental cluster" has emerged, with Finnish know-how finding a ready market.

While consumer pressure for sustainable development is growing internationally, Finnish industry has long been subject to strict environmental legislation as well. Regulatory policy is firmly enforced, and in a small country that treasures its natural environment, transparency on such matters is a necessity. Data on emissions and the like are public information, and most companies stress environmental frankness in their corporate communications.

Many Finnish corporations are committed to the International Chamber of Commerce Business Charter for Sustainable Development. Many have also implemented an array of environmental management tools, from life-cycle assessment to environmental auditing. Many companies, particularly paper manufacturers, have earned the right to use the Nordic swan environmental label on their products, and many also use ISO 14000 or EMAS environmental certification systems.

The forest industry is now developing a voluntary certification system together with environmental officials and nongovernmental organizations. The system will ensure that wood is grown and harvested according to sustainable development principles.

"There were differences of opinion, but now the development of forest certification is already in finalization stage," says Mr. Ruonala. "Its credibility outside of Finland is an important objective. But it is clear that certification must be adjusted to local conditions. International certification, such as the FSC system, does not necessarily suit Finnish conditions. For instance, there are differences even between Finland and Sweden. In Sweden, most of the forests are owned by a handful of large companies; in Finland they are mostly small, family-owned lots. In any case, certification should be issued by independent, neutral bodies."

Other sectors have adopted international environmental systems. The largest chemical companies follow the Re-



FINLAND'S NATURAL ENVIRONMENT IS ONE OF THE COUNTRY'S MOST TREASURED — AND PROTECTED — RESOURCES.

sponsible Care program, which monitors and improves ecology, safety and health issues.

The metals sector, including the speedily growing electronics industry, is edging out the forest industry for dominance of the Finnish economy. Here, too, environmental soundness is not only a buzzword, but also a necessity.

With little remaining ore resources of its own, Finland is extremely efficient in recycling metal. Virtually all scrap metal is recovered. Even the high-tech branch actively recycles parts of the ubiquitous mobile telephones, for instance. The electronics sector is also a major supplier of monitoring and control equipment.

The Finns were also highly efficient in energy decades before the ecological trend started. The country is a world

leader in the use of district heating, which reduces emissions significantly, and almost half of the nation's homes are heated from such centralized sources.

While Finnish agriculture has suffered since the country joined the EU, one bright spot is the rising popularity of organic farming among both consumers and producers.

The area of land in certified organic production has doubled in the past year. Demand often outstrips supply, with shopkeepers unable to keep organic dairy products on the shelves.

That's a relatively pleasant problem, though, with positive repercussions for dairies, farmers, consumers — and the environment itself.

W.S.

FINLAND AND THE EUROPEAN UNION: GIVING EUROPE A NORTHERN DIMENSION

Continued from page 1

could bring that know-how to its fullest fruition if the idea is realized.

The idea parallels the EU's Mediterranean policy, set up in 1995. Budgeted at some \$5 billion over four years, that project aims to develop free trade and other economic and political ties with the EU's southern neighbors and improve conditions in those nations. Such action benefits the Union's neighbors, north or south. One motivation is to narrow the standard-of-living gap between the EU and its neighbors. The policy also aims to block crime, terrorism and even pollution from seeping in over the EU's external borders.

"The effects of environmental problems in the Baltic and northwest Russia spread extensively over Union areas," notes Leif Fagerman, undersecretary of state at the Finnish Foreign Ministry. "There are a large number of nuclear power plants in this area that have been classed as dangerous. We need new political solutions to decrease these risk factors."

Infrastructure and other investments in the region, such as gas and railway lines, would have enormous economic benefits by helping to secure the Union's supply and trading routes.

Mr. Lippinen says, "Economically, this area offers the European Union great potential. In northwestern Russia

and in the Barents region, there are globally significant natural gas and oil deposits. The EU is the most important purchaser of Russian energy and raw materials. In the future, Europe will be largely dependent on energy resources from this area."

The European Union is by far Russia's biggest trading partner. Yet while NATO and the G-7 have set up clear working relationships with Russia, the EU's policy toward Moscow remains undefined. The Union's Partnership and Cooperation agreement with Russia took effect late last year, but Mr. Lippinen sees it as too superficial and ambiguous. The situation may be tolerable for the moment, but may become

problematic as former East Bloc states and Soviet republics begin to join the Union, and political uncertainty continues in Moscow.

The notion has gained nods of approval from various corners of the EU.

On a visit to Helsinki in March, Portuguese Foreign Minister Antonio Guterres voiced strong support for the idea. "We hope that it will aid the stabilization of Europe," he said, "especially

because Russia is included, in many economic and political initiatives."

Finland is in a unique position to lead this initiative. In 1999, Finland will be among the first 11 countries participating in the European single currency.

It will also hold the EU's rotating presidency during the last six months of the millennium, culminating in a Helsinki summit in December 1999.

Addressing the Finnish Parliament,

Finland's President Martti Ahtisaari said, "The Northern Dimension project announced by the Finnish government has received support both within and outside the Union. We shall continue to concentrate determinedly on promoting the project."

Finland is expecting a European Commission response on the Northern Dimension proposal by the end of this year.

Wif Stenger

AT THE HEART OF A GROWING MARKET

Continued from page 1

percent of its shares are in foreign hands, and it truly operates on a global scale."

Foreign investors account for around 50 percent of shareholders in Valmet, the world's leading paper machinery firm, which in 1996 became the third Finnish company to be listed on the New York Stock Exchange.

Says Leo Allo, Valmet's vice president for corporate communications: "The paper business is global, so our strategy is to help our customers to be winners in their business by serving the industry all over the world. Valmet has production in the three main markets: Europe, North America and Asia."

The recent consolidation in the Finnish banking sector has for the first time involved cross-border mergers. When Finland's Merita bank joined up with Nordbanken of

Sweden, it was clearly stated that the Nordic and Baltic countries were the new market area.

Similarly, the energy giant Neste-IVO operates and has interests in most of the NNE.

The benefits to be garnered are not purely economic.

Political and security advantages are linked as well. "The natural gas network, oil and other natural resource reserves linked to Western technology and finance will be positive, and the development of the NNE is in harmony with European and Finnish interests," Mr. Natri says. "The challenges are so huge they must be met en bloc."

At Finland's suggestion, a Northern Dimension initiative has been launched by the EU to ensure sufficient financing through existing programs to the country's less-developed neighbors. As Mr. Natri puts it, "If our neighbors are prosperous, so are we."

John Pagni

On-Line Resources

Virtual Finland (Ministry of Foreign Affairs):
<http://virtual.finland.fi>

Finland Online: www.funet.fi/resources

Statistics Finland: www.stat.fi/home.html

Finnish Foreign Trade Association:
www.exports.finland.fi

City of Helsinki: www.hel.fi

Helsinki Stock Exchange: www.hex.fi

Helsinki 2006 Project (Winter Olympics bid):
www.helsinki2006.org

Kiasma Museum of Contemporary Art:
www.kiasma.fng.fi

Finnish National Gallery: www.fng.fi

Finnish Tourist Board: www.mick.fi

EUROPE

Forward-Looking VW Gets Reminder of Past

By Alan Cowell
New York Times Service

BONN — One week after it bought Britain's Rolls-Royce, and just as it adds Italy's Lamborghini sports cars to its automotive stable, Volkswagen, Germany's biggest auto concern, is discovering that its yearnings for a prestigious future stand to be tainted by reminders of an inglorious past.

From modest offices at Bremen University, a lecturer named Klaus von Muenchhausen announced Friday that acting on behalf of 30 Holocaust survivors, he planned to sue Volkswagen — Europe's most profitable car concern — for the unpaid wages of Jewish slave laborers during World War II.

The legal action brought a blunt reminder of Volkswagen's roots not only as Hitler's favored car company — the idea of a Volkswagen, or, "people's car," was a pre-war project — but also as a key player in the Nazi armaments industry, building war material ranging from jeeps to the V-1 rockets that rained down on London.

And, Mr. von Muenchhausen said, the action could set a legal precedent for other companies including Ford, whose German subsidiary also employed slave labor during the Second World War.

Mr. von Muenchhausen, who is still fighting a separate court action on behalf of slave laborers at Auschwitz, said the plaintiffs in the newest suit, all now living in Israel, were Hungarian-born Jews who had been chosen for slave labor — rather than the gas chamber — in the notorious "selection" process at Auschwitz. Most of them were teenagers at that time.

They worked at Volkswagen plants around Wolfsburg in Lower Saxony from 1944 to 1945 in jobs

that included work on the flight stabilization mechanism of V-1 rockets. Based on what a German worker would have earned at the time, Mr. von Muenchhausen said, they were owed about \$28,000 apiece.

In private talks, however, Volkswagen has refused to respond to individual claims, which are not covered by the laws under which

Audi announced Friday that it had signed a letter of intent to take over Lamborghini and would negotiate the deal in coming weeks. The Italian company makes only about 200 cars a year, but they sell for prices of \$200,000 and upward.

Under Hitler's armaments minister, Albert Speer, slave labor became a massive and brutal venture

forced laborers, saying it is impossible to quantify the appropriate amounts.

Volkswagen officials dealing with the issue did not return calls on Friday to verify reports that the company was prepared to make some kind of payments to the Eastern and Central European countries from which many slave laborers

came.

Mr. von Muenchhausen's action has broader political consequences because, he said, the state of Lower Saxony has a 20 percent stake in Volkswagen. One of the directors on its supervisory board, thus, is Gerhard Schroeder, the Lower Saxony state premier, who is the opposition Social Democrats' candidate to challenge Chancellor Helmut Kohl in national elections next September.

Mr. Schroeder is unlikely to want

to be drawn into an emotional dispute over Germany's Nazi past at a time when he is trying to present himself as the emblem of Germany's future, political experts said.

Volkswagen faces a lawsuit for the unpaid wages of Jewish slave laborers during World War II.

Germany has paid out about \$58 billion to victims of Nazi persecution.

The claims are being made at a time when Volkswagen is embroiled in an expansion program supposed to enhance its range with such glitz marques as Rolls-Royce, for which the German car company is paying more than \$700 million and Lamborghini, which it is acquiring through its Audi subsidiary for a reported sum of between \$85 million and \$145 million.

employing at least 7 million people.

Mr. von Muenchhausen said, however, that postwar German laws that offered compensation for imprisonment and damaged health caused by Nazi persecution made no provision for slave laborers.

Two years ago, Volkswagen published a history of its wartime operations in which it acknowledged employing slave labor. But the company has refused to pay out individual claims for wages owed to

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to be drawn into an emotional dispute over Germany's Nazi past at a time when he is trying to present himself as the emblem of Germany's future, political experts said.

British Telecom also said Friday that it expected to plow another £1 billion into its Continental joint ventures by the middle of 2001.

The latest investment brings to £2 billion the amount BT has invested in Europe so far, where it is focusing on high-growth data and mobile telecommunications as well as fixed-line phone service. The company said investment that supports data services has grown to about 50 percent of its annual spending, from less than 5 percent in 1994.

"This provides the foundation for the European partners," said Alfred Mockett, president and chief executive of BT's global division, "to offer their customers a new range of multimedia services such as high-speed private circuits, Internet backbones, intranets and enhanced broadcast services."

The European companies in which BT has stakes and who will participate in the project are Alcatel in Italy, Cetegel in France, Sunrise in Switzerland, Telfort in the Netherlands, BT Belgium and VIAG Interkom in Germany.

The companies ordered telecommunications equipment, based on digital technologies called Synchronous Digital Hierarchy and Digital Wave Division Multiplexing, from Northern Telecom Ltd., the second-largest maker of phone equipment in North America.

Internet revenue in Western Europe will grow to \$30 billion in 2001, from \$1 billion in 1997, according to International Data Corp. of Framingham, Massachusetts.

(Bloomberg, Reuters)

BT to Spend £70 Million to Link Services

Compiled in the San Francisco bureau

LONDON — British Telecommunications PLC, the dominant British telephone company, and its European partners said Friday that they would invest £70 million (\$14.1 million) to build a high-speed network to link their national operations.

The network, which will link Britain, Germany, Italy, France, Switzerland, Belgium and the Netherlands, will start operation in early 1999 and is the first phase of BT's pan-European connection plan. It will add 7,000 kilometers (4,200 miles) of fiber optic cable to the existing 25,000 kilometers in those countries. The network will include switching centers in 200 cities.

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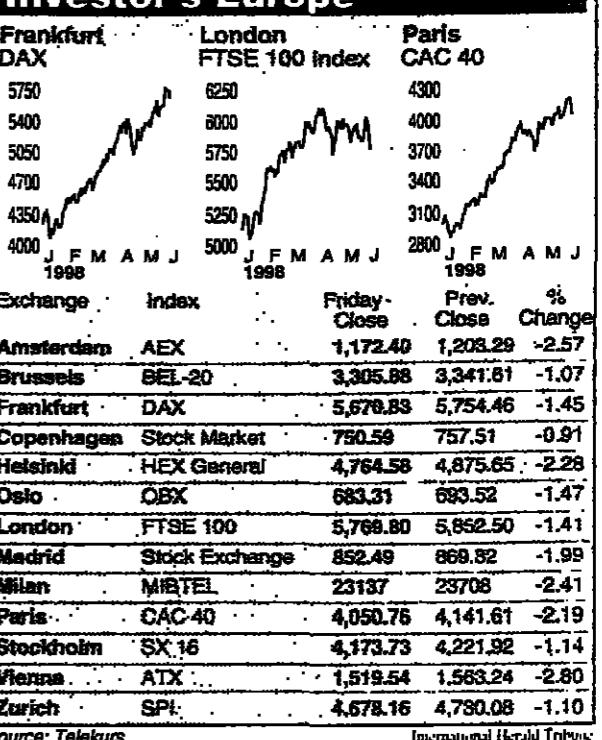
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(Bloomberg, Reuters)

Investor's Europe



Source: Telekurs

International Herald Tribune

Very briefly:

• Bertelsmann AG's CLT-Ufa and Kirch Group plan to raise their stakes in the pay-TV channel Premiere to 50 percent each. The German Federal Cartel Office said CLT-Ufa, a joint venture of Bertelsmann and Audiofina SA, had asked to raise its 37.5 percent stake in Premiere by buying a 12.5 percent stake held by Canal Plus SA of France. Bertelsmann said Kirch would file for its increase soon.

• BCE Inc. sold its 14.25 percent stake in Cable & Wireless Communications PLC, Britain's largest cable company, for \$975.2 million (\$1.59 billion), thereby leaving the British cable television industry.

• Packard Bell NEC will invest £26 million to create a "build to order" personal computer plant in Livingston, Scotland.

• South Africa's markets suffered another rough day as the rand hit a fresh low after the Reserve Bank cut its key repurchase, or repo, rate by 0.5 percent, to 17 percent. The dollar rose hit a high of 5.3000 rand in local trading before retreating to 5.2495 rand, against 5.2550 on Thursday.

• The European Bank for Reconstruction and Development said that it had begun selecting a president for the bank. With Germany formally nominating Horst Koehler, a German banker and the consensus European Union candidate.

• Ford Motor Co.'s British subsidiary said that a shortage of supplies of door latches had brought production at its biggest plant in Britain to a standstill since Thursday night. A spokeswoman for Ford of Britain said the company hoped to resume production at the plant in Dagenham, east of London, next week.

• BAT Industries PLC's shareholders agreed to sell the company's financial services business to Zurich Insurance Co. of Switzerland, sealing a \$18.7 billion deal to create Europe's fourth-largest insurer and the world's second-largest tobacco company.

(Bloomberg, Reuters)

4 Countries Report Low Inflation

Interest Rates for Euro Will Be Close to German Levels, Data Show

Bloomberg News

FRANKFURT — Inflation in four of Europe's biggest economies remained tame in May, government reports showed Friday, suggesting that interest rates will be close to low German levels when a common currency is formed in January.

Consumer prices rose 0.1 percent in France and Spain and fell 0.1 percent in the Netherlands. In Germany, Europe's biggest economy, prices rose 0.3 percent in the month as the prices of package tours and fresh fruit increased. In all four countries, the annual inflation rate was at or below 2 percent.

Lack of price pressure in most of the 11 countries joining monetary union will help them move toward a unified interest rate by Jan. 1, when the euro is introduced, analysts say. In countries such as Spain and Italy, falling inflation has allowed central banks to cut rates closer to Germany's 3.3 percent benchmark rate.

"The European Central Bank will be happy," said Stefan

Schneider of Banque Paribas. "If

rate hikes are needed in the core countries, they won't happen until the fourth quarter."

The European Central Bank is to take control of setting rates for monetary union after nations lock their exchange rates together and the euro is established. The bank's 17-member governing council, which met for the first time Tuesday, will be able to use its monthly gatherings to discuss steps to a common rate policy.

The reports Friday suggest that any rate increases from Germany, France and other so-called core European countries will come later rather than sooner. France, Germany, Spain and the Netherlands account for almost 70 percent of total gross domestic product in the monetary union area.

The reports "confirm that inflation in euroland as a whole remains subdued," said Elga Bartsch of Morgan Stanley Dean Witter in London. "There is certainly no urgent need for a rate hike."

In France and Germany, inflation has been held down by falling energy prices, a more stable exchange rate for the franc and the Deutsche mark and increased competition by companies bracing themselves for the impact of a common money.

Renault SA, France's largest

automaker in terms of sales, had to

leave the price of its compact Clio unchanged when it added new features in March.

In the Netherlands, where economic growth is outpacing that of France and Germany, the unexpected drop in May consumer prices may ease concern that the economy is overheating. The annual inflation rate fell to 2.0 percent from a revised 2.4 percent in April, which was the highest among the economies of the 11 euro countries.

Spanish consumer prices rose 0.1 percent in the same period, as falling energy prices limited the effect of rising costs of services such as tourism.

Spanish consumer prices rose 0.1

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energy prices limited the effect of

rising costs of services such as tour-

ism.

(Bloomberg, Reuters)

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WORLD STOCK MARKETS

Friday, June 12

Daily prices in local currencies.

Telekurs

High Low Close Prev.

Amsterdam

AEX index: 1174.29

High Low Close Prev.

Frankfurt

DAX: 5473.89

High Low Close Prev.

Jakarta

Composite index: 418.37

High Low Close Prev.

Johannesburg

All Market: 6712.00

High Low Close Prev.

Montreal

Composite index: 482.37

High Low Close Prev.

London

FTSE 100: 5749.00

High Low Close Prev.

Buenos Aires

Composite index: 3240.41

High Low Close Prev.

Bangkok

SET index: 229.97

High Low Close Prev.

Athens

Composite index: 9428.24

High Low Close Prev.

Bombay

SEN index: 3240.41

High Low Close Prev.

Brussels

BEL 20: 3265.25

High Low Close Prev.

Istanbul

Composite index: 4744.58

High Low Close Prev

NYSE

Friday's 4 P.M. Close

The 2,600 most traded stocks of the day.
Nationwide prices not reflecting late trades elsewhere.
The Associated Press.

is not reflecting late trades etc.

The Associated Press

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Continued on Page 16

عدد من الأوصي

Nintendo Cuts Video Game's Price by 17%

Bloomberg News
KYOTO, Japan — Nintendo Co. said Friday that it was slashing the price in Japan of its Nintendo64 home video-game player by 17 percent in a move to challenge the dominance of Sony Corp.'s PlayStation in the domestic market.

Kyoto-based Nintendo will lower the price to 14,000 yen (\$98.94) from 16,800 yen in a bid to lift market share in Japan, the company president, Hiroshi Yamauchi, said. The price cut takes effect July 1.

Over the past year, Nintendo rang up 89 percent of its Nintendo64 sales overseas, where the machine sells far better than in Japan. Hardware for the PlayStation, the Nintendo64's main rival in the estimated \$15 billion worldwide video-game market, outsold Nintendo64 hardware about fivefold in Japan in that ended March 31.

The price cut means the Nintendo64 will sell for 4,000 yen less than the PlayStation, and 6,000 yen less than Sega Enterprises Ltd.'s Saturn machine, the third best-selling home video-game player.

Domestic shipments of the Nintendo64 fell by almost half in the year that ended March 31. Nintendo shipped 1.11 million units within Japan, from 2.04 million units the previous year.

Sony had shipped 32.82 million PlayStations as of March 31, against 16.14 million Nintendo64 players. The PlayStation was introduced in 1994, the Nintendo64 in 1996.

Hong Kong Bear Paws the Ground

Bloomberg News

HONG KONG — As Hong Kong's benchmark stock index hovers near a three-year low and economies across Asia tip into recession, Hong Kong's biggest bear says he is beginning to feel downright bullish.

Marc (Dr. Doom) Faber is the bears' bear, a gloom-monger who said for years that stocks, property prices — just about everything it seemed — was going to go to hell and soon.

The 52-year-old Swiss-born fund manager was so wrong for so long that many rivals called him a crank. But now, just when he's found new companions in misery, Mr. Faber is switching sides.

"I am actually quite optimistic these days," he said Friday in Hong Kong. "If you buy Asian equities you can achieve a profit, if you don't stay in too long."

But in a week that the Hong Kong index fell to its lowest level since 1995 — tumbling 7 percent

to 7,886.07 points Thursday — Mr. Faber is recommending investors buy Asian stocks for the first time in four years. On Friday the index rose to 7,915.44 points.

The bear says Asian stocks are a buy because they've become so cheap they're likely to benefit from temporary rallies of up to 50 percent at a time before declining again.

He did not list recommendations but said he had already bought some "second-liner" stocks in Hong Kong.

Stocks in Seoul Suffer Record Fall

Compiled by The Wall Street Journal

SEOUL — South Korean shares tumbled 8.1 percent Friday, in their biggest ever one-day fall, propelled downward by fears that the falling yen could derail efforts for the country's economic recovery.

The benchmark Korea Composite Stock Price Index closed at 302, down 26.61 points.

"The yen is killing Asia," said Lee Jae Yuel, a fund manager at Seoul Securities Co. "Investors are selling as much stock as they can."

The yen's frailty makes Japanese exports of cars, computer chips and consumer electronics cheaper and puts pressure on South Korea to let its own currency weaken to boost overseas sales. This would make it harder for Seoul to lower interest rates, condemning thousands of

companies to bankruptcy.

The won weakened slightly on Friday to 1,390.50 to the dollar from 1,389.00 on Thursday.

"Investors went on a selling spree on signs of instability in other Asian markets amid the yen's plunge," said Park Jun Kyu, an analyst at Dong-Ah Securities Co.

A falling yen means more competition for South Korean exports — bad news for the country's key strategy to revive its economy by selling more goods abroad.

Japan and South Korea compete in such key products as cars, computer chips and home appliances, and the weak yen makes Japanese goods more competitive overseas.

Mr. Park said the market sentiment was dampened by concerns that foreign investors may desert the country, scared by growing regional

instability caused by the falling yen.

South Korea hoped to use its own weak currency to dramatically boost exports. But the falling yen all but dashed such hope, the bank said.

South Korean car and other companies are already struggling under mounds of unsold products as Koreans tightened their belts and domestic sales plunged.

Last year, Korea exported \$14.8 billion of products to Japan, equal to 10 percent of its total exports, while it imported \$27.8 billion from Japan, 19.2 percent of its total imports.

Daewoo Electronics Co., Korea's third-largest home appliance producer, said the weakening yen would crimp its exports to Japan and also lead to greater competition at home.

(AP, Bloomberg)

JAPAN: Tokyo Admits the Economy Is in Recession, Underlining Risk to Region

Continued from Page 1

traditionally had some elements of a command economy, and he cautioned that it was now in the throes of an unpredictable transition to more of a market economy.

"Like Eastern Europe, if you introduce shock therapy and go from a nonmarket to a market, the short term disruption is enormous," Mr. Rose said. He added, however, that once the transition is made, Japan could be poised for strong growth again.

Shimpei Nukaya, vice minister of the Economic Planning Agency, said that the negative impact on Japan's economy from the Asian economic crisis was bigger than the government had expected and that the figures "underline the gloomy situation of the national's real economy."

Fears had also risen earlier in the week that one of Japan's largest banks, Nippon Credit Bank, was facing debt-repayment difficulties.

Nippon Credit Bank said that it had 22 holders of its subordinated debt to convert a portion to deposits and had extend the maturity on more than 200 billion yen (\$1.4 billion) in debt. So far, three have rejected the plan, and nine institutions have agreed. But the bank denied that the restructuring was a sign of trouble.

Taku Yamasaki, a top Liberal Democratic Party policymaker, said Thursday that no bank failures were anticipated in the near term.

Government officials also tried to reassure the markets that the top priority of the nation would be to chip away the pile of bad bank loans over the next two to three years through an

American-style mechanism that would allow the banks to shed the bad debt from their books and sell the portions taken as collateral.

Critics, however, are skeptical that the government will move quickly enough to clear up the bad loans, which have swelled to more than \$600 billion since the economic bubble burst in the early 1990s.

Friday's economic announcement from Tokyo offered new data only for the January-to-March period, but since Japan's fiscal year ends on March 30, the new figures meant that over the course of the last fiscal year, the nation's gross domestic product fell 0.7 percent. That was the first absolute decline in output since 1974, when Japan grappled with the first oil shock.

Exports for the first quarter also declined by 3.8 percent, the first drop in a dozen years, as troubled Asian economies drastically cut back on their imports from Japan.

Officials point out that the government's \$111 billion stimulus package seems about to be passed by the Parliament, clearing the way for a rush of public funds into the economy. The governing Liberal Democratic Party is counting heavily on the public money to pick up growth.

But industrial production fell 6

percent in April from the year before, corporate profits have tumbled, prices are falling ominously, and some economists warn that Japan may be sinking into deflationary spiral, in which falling profits would lead to rising unemployment, which would curb consumption and bring prices down further.

Traditional and non-traditional

manufacturers in South Korea, where prices on the Korean Stock Exchange fell 8.1 percent on Friday, that low-priced Japanese products would force the collapse of a number of Korean companies.

"Trade friction results

from problems in the other countries," he said. "If you have a very good economy, there is no political reason for

collapse. What is important is the economic welfare of the country, not the trade imbalance. If people can buy reasonably priced goods, people enjoy themselves."

Many foreign analysts, however, believe that Japan sees rising exports, often in competition with exports from China and South Korea as well as Western countries, as key to reversing the dismal economic trend reflected in a decline in the gross domestic product by

0.7 percent for the fiscal year that ended on March 31.

"Exports have been going down because of the Asian turmoil," said Yoshi Nishimoto, an analyst with the HSBC Securities, citing the need to sell elsewhere to make up for the losses.

"That's the main reason the economy is so bad. The economic downturn is holding interest rates down. They should be higher."

Mr. Nakamura disagreed. "Instead of accelerating exports, we should stimulate domestic demand," he said. "Tax reform is the key to turning the economy around."

He called on the government to reduce personal income taxes from their high of 65 percent to 50 percent and corporate taxes from 46.3 percent to 40 percent.

"If we have enough demand of the domestic market, we don't have to export," Mr. Nakamura said. "Then there will be no trade wars."

Analysts questioned whether the government's 16 trillion yen economic stimulus package or plans for sharp cuts in corporate and individual income taxes would have the desired effect of reviving the stalled economy.

Many analysts believe that the 16 trillion yen, about \$115 billion, would be spent largely on pork-barrel public works projects, while individual Japanese prefer to save rather than spend on con-

sumer goods.

The stimulus package is not sufficient, Peter Morgan, senior economist at HSBC securities, said. "It's pretty much show, very traditional, and it's not large enough to deal with all the problems. They should deregulate more, permitting more merger and acquisition activities, making restrictions easier."

Mr. Nakamura disagreed.

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collapse. What is important is the economic welfare of the country, not the trade imbalance. If people can buy reasonably priced goods, people enjoy themselves."

Many foreign analysts, however, believe that Japan sees rising exports, often in competition with exports from China and South Korea as well as Western countries, as key to reversing the dismal economic trend reflected in a decline in the gross domestic product by

0.7 percent for the fiscal year that ended on March 31.

"Exports have been going down because of the Asian turmoil," said Yoshi Nishimoto, an analyst with the HSBC Securities, citing the need to sell elsewhere to make up for the losses.

"That's the main reason the economy is so bad. The economic downturn is holding interest rates down. They should be higher."

Mr. Nakamura disagreed. "Instead of accelerating exports, we should stimulate domestic demand," he said. "Tax reform is the key to turning the economy around."

He called on the government to reduce personal income taxes from their high of 65 percent to 50 percent and corporate taxes from 46.3 percent to 40 percent.

"If we have enough demand of the domestic market, we don't have to export," Mr. Nakamura said. "Then there will be no trade wars."

Analysts questioned whether the government's 16 trillion yen economic stimulus package or plans for sharp cuts in corporate and individual income taxes would have the desired effect of reviving the stalled economy.

Many analysts believe that the 16 trillion yen, about \$115 billion, would be spent largely on pork-barrel public works projects, while individual Japanese prefer to save rather than spend on con-

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The stimulus package is not sufficient, Peter Morgan, senior economist at HSBC securities, said. "It's pretty much show, very traditional, and it's not large enough to deal with all the problems. They should deregulate more, permitting more merger and acquisition activities, making restrictions easier."

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NASDAQ

Friday's 4 P.M.

The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

THE ASSOCIATED PRESS.

The I.H.T. was

Your Global Investment Manager.

FMG Russian
Federation Fund

+269%

OUTSTANDING PERIOD

TOP PEGS

NYSE

Friday's 4 P.M. Close

(Continued)

S-T-U									
46 th 26 th SBC Com	5.93	2.3	49	267401	40/4	31	403/4	1	1
53 rd 39 th SBC 01	107	7.4	50	5025	40/4	41	413/4	1	1
53 rd 39 th SIC Sys	1	1	51	161019	34/4	22	323/4	1	1
38 th 22 th SCPIE	24	3	52	13	147	35/4	35/4	1	1
12 th 22 th SIC Tech	101	1	53	3792	24/4	54	54/4	1	1
22 th 22 th SIC Sine	518	2.3	54	3793	24/4	22/4	22/4	1	1
11 th 22 th SIC Sine	38	6	55	1185	24/4	24/4	24/4	1	1
41 th 15 th SIC Sine	10	1	56	243	25/4	25/4	25/4	1	1
56 th 15 th SIC Sine	5	1	57	243	25/4	25/4	25/4	1	1
70 th 49 th SIC Tech	1	1	58	53	67/4	24/4	66/4	1	1
25 th 25 th SIC Tech	24	1	59	102	25/4	24/4	24/4	1	1
99 th 51 st STMicro	1.80	7.2	60	23	4871	14/4	68/4	1	1
17 th 12 th STMicro	1	1	61	28	4871	14/4	14/4	1	1
12 th 12 th STMicro	1	1	62	100	14/4	14/4	14/4	1	1
54 th 21 st SIC Sine	1	1	63	720	24/4	24/4	24/4	1	1
20 th 21 st SIC Sine	1	1	64	720	24/4	24/4	24/4	1	1
40 th 21 st SIC Sine	1	1	65	6119	24/4	24/4	24/4	1	1
21 st 21 st SIC Sine	1	1	66	3644	24/4	24/4	24/4	1	1
38 th 27 th SIC Sine	0.08	1	67	51	24/4	24/4	24/4	1	1
34 th 27 th SIC Sine	1	1	68	937	24/4	24/4	24/4	1	1
47 th 27 th SIC Sine	1	1	69	1181	24/4	24/4	24/4	1	1
81 st 66 th SIC Sine	3.00	2.9	70	1181	24/4	24/4	24/4	1	1
27 th 27 th SIC Sine	1	1	71	1181	24/4	24/4	24/4	1	1
27 th 18 th SIC Sine	1	1	72	25	24/4	24/4	24/4	1	1
33 rd 18 th SIC Sine	1	1	73	25	24/4	24/4	24/4	1	1
49 th 35 th SIC Sine	1	1	74	520	24/4	24/4	24/4	1	1
10 th 8 th SIC Sine	0.56	1.5	75	13	954	3/4	38	38/4	1
19 th 8 th SIC Sine	8	8	76	4668	9/4	9/4	9/4	9/4	1
15 th 15 th SIC Sine	1	1	77	1131	17/4	17/4	17/4	17/4	1
12 th 12 th SIC Sine	1	1	78	423	15/4	15/4	15/4	15/4	1
10 th 7 th SIC Sine	0.00	0.9	79	118	8/4	8/4	8/4	8/4	1
27 th 7 th SIC Sine	1	1	80	118	8/4	8/4	8/4	8/4	1
33 rd 7 th SIC Sine	1	1	81	118	8/4	8/4	8/4	8/4	1
49 th 7 th SIC Sine	1	1	82	2641	9/4	9/4	9/4	9/4	1
57 th 7 th SIC Sine	1	1	83	2641	9/4	9/4	9/4	9/4	1
57 th 29 th SIC Sine	0.13	4	84	25	23	31/4	31/4	31/4	31/4
25 th 23 th SIC Sine	1	1	85	25	24/4	24/4	24/4	24/4	1
26 th 23 th SIC Sine	1	1	86	25	24/4	24/4	24/4	24/4	1
25 th 23 th SIC Sine	1	1	87	25	24/4	24/4	24/4	24/4	1
26 th 23 th SIC Sine	1	1	88	25	24/4	24/4	24/4	24/4	1
26 th 23 th SIC Sine	1	1	89	25	24/4	24/4	24/4	24/4	1
26 th 23 th SIC Sine	1	1	90	25	24/4	24/4	24/4	24/4	1
26 th 23 th SIC Sine	1	1	91	25	24/4	24/4	24/4	24/4	1
26 th 23 th SIC Sine	1	1	92	1.6	7239	5/4	58/4	58/4	58/4
18 th 14 th SIC Sine	1	1	93	124	15/4	14/4	14/4	14/4	1
19 th 16 th SIC Sine	1	1	94	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	95	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	96	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	97	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	98	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	99	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	100	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	101	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	102	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	103	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	104	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	105	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	106	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	107	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	108	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	109	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	110	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	111	128	18/4	17/4	17/4	17/4	1
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19 th 16 th SIC Sine	1	1	113	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	114	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	115	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	116	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	117	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	118	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	119	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	120	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	121	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	122	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	123	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	124	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	125	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	126	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	127	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	128	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	129	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	130	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	131	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	132	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	133	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	134	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	135	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	136	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	137	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	138	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	139	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	140	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	141	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	142	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	143	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	144	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	145	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	146	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	147	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	148	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	149	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	150	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	151	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	152	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	153	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	154	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	155	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	156	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	157	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	158	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	159	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	160	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	161	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	162	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	163	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	164	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	165	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	166	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1	1	167	128	18/4	17/4	17/4	17/4	1
19 th 16 th SIC Sine	1</								

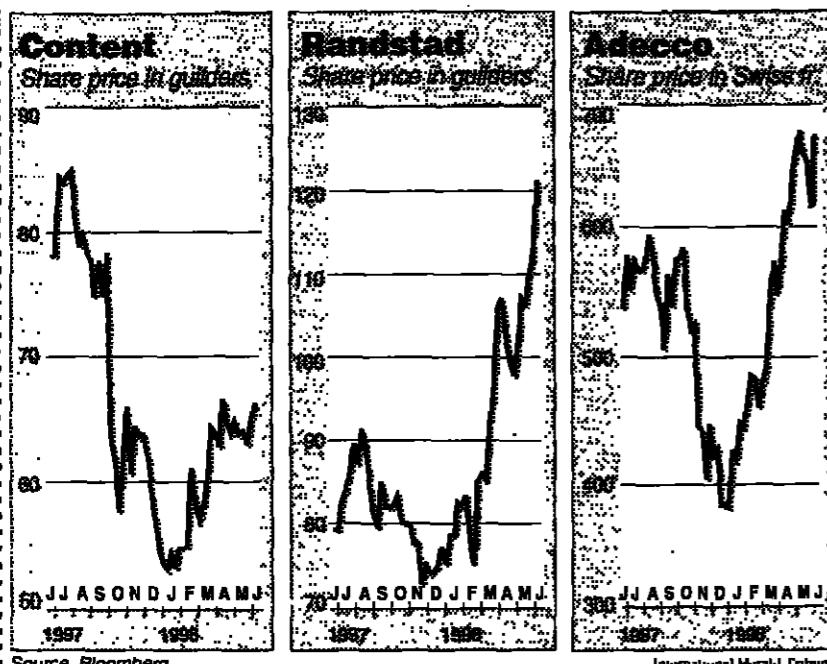
139	34	SmithAO	48	13	22	120	514	51	51%
29	39	SmithIn	28	12	15	156	3971	405	37%
354	28	SmithPR	206	63	17	127	335	379	32%
71	39	SmithSc	5	203	32	30	2092	502	594
465	37	Snapshot	34	20	17	923	424	479	47%
245	20	SnapshotCm	1	2	1	26	10	10	10%
278	35	SnapshotCm	26	14	1	26	10	10	10%
214	35	SnapshotCm	116	1	1	691	343	354	34%
314	24	SnapshotCm	1	1	1	691	343	354	34%
850	43	SnapshotCm	1	1	1	691	343	354	34%
240	10	Software	11	1	1	57	434	84	84%
474	29	Software	1	1	1	51	255	254	254%
159	28	Software	5	1	1	19	181	374	374%
22	18	Software	1	1	1	27	2576	264	254
22	18	Software	1	1	1	27	2576	264	254
50	20	Software	1	1	1	27	2576	264	254
1024	24	SoftwareCp	1	1	1	113	288	279	279%
244	15	SoftwareCp	476	21	1	113	288	279	279%
74	41	SoftwareCp	1	1	1	113	288	279	279%
189	11	SoftwareCp	1	1	1	113	288	279	279%
267	20	SoftwareCp	1	1	1	113	288	279	279%
29	20	SoftwareCp	1	1	1	113	288	279	279%
265	24	SoftwareCp	1	1	1	113	288	279	279%
201	10	SoftwareCp	1	1	1	113	288	279	279%
214	12	SoftwareCp	396	65	1	113	288	279	279%
264	20	SoftwareCp	1	1	1	113	288	279	279%
327	16	SoftwareCp	1	1	1	113	288	279	279%
244	17	SoftwareCp	1	1	1	113	288	279	279%
147	9	SoftwareCp	1	1	1	113	288	279	279%
33	24	SoftwareCp	1	1	1	113	288	279	279%
214	12	SoftwareCp	1	1	1	113	288	279	279%
264	20	SoftwareCp	1	1	1	113	288	279	279%
476	22	SoftwareCp	1	1	1	113	288	279	279%
104	6	SoftwareCp	1	1	1	113	288	279	279%
71	19	SoftwareCp	1	1	1	113	288	279	279%
95	44	SoftwareCp	1	1	1	113	288	279	279%
51	19	SoftwareCp	1	1	1	113	288	279	279%
181	14	SoftwareCp	1	1	1	113	288	279	279%
25	13	SoftwareCp	1	1	1	113	288	279	279%
189	9	SoftPoc	1	1	1	21	70	181	179
356	24	SoftPoc	1	1	1	11	181	266	278
40	30	SoftPoc	1	1	1	17	313	34	35%
541	10	SoftPoc	1	1	1	27	799	814	814%
51	26	SoftwareCp	1	1	1	78	453	494	494%
181	14	SoftwareCp	1	1	1	109	114	116	116%
25	13	SoftwareCp	1	1	1	113	211	219	219%
189	9	SoftwareCp	1	1	1	113	211	219	219%
356	24	SoftwareCp	1	1	1	113	211	219	219%
40	30	SoftwareCp	1	1	1	113	211	219	219%
541	10	SoftwareCp	1	1	1	113	211	219	219%
51	26	SoftwareCp	1	1	1	113	211	219	219%
617	40	SoftwareCp	2085	1	1	78	765	3	3%
745	17	SoftwareCp	48	7	1	21	164	94	84%
57	24	SoftwareCp	1	1	1	17	2717	389	378
307	10	SoftwareCp	206	82	1	170	2424	424	424%
104	6	SoftwareCp	1	1	1	208	104	84	84%
71	19	SoftwareCp	1	1	1	307	158	154	148%
95	44	SoftwareCp	1	1	1	307	158	154	148%
51	19	SoftwareCp	1	1	1	307	158	154	148%
181	14	SoftwareCp	1	1	1	307	158	154	148%
25	13	SoftwareCp	1	1	1	307	158	154	148%
189	9	SoftwareCp	1	1	1	307	158	154	148%
356	24	SoftwareCp	1	1	1	307	158	154	148%
40	30	SoftwareCp	1	1	1	307	158	154	148%
541	10	SoftwareCp	1	1	1	307	158	154	148%
51	26	SoftwareCp	1	1	1	307	158	154	148%
617	40	SoftwareCp	1	1	1	307	158	154	148%
745	17	SoftwareCp	1	1	1	307	158	154	148%
57	24	SoftwareCp	1	1	1	307	158	154	148%
307	10	SoftwareCp	1	1	1	307	158	154	148%
104	6	SoftwareCp	1	1	1	307	158	154	148%
71	19	SoftwareCp	1	1	1	307	158	154	148%
95	44	SoftwareCp	1	1	1	307	158	154	148%
51	19	SoftwareCp	1	1	1	307	158	154	148%
181	14	SoftwareCp	1	1	1	307	158	154	148%
25	13	SoftwareCp	1	1	1	307	158	154	148%
189	9	SoftwareCp	1	1	1	307	158	154	148%
356	24	SoftwareCp	1	1	1	307	158	154	148%
40	30	SoftwareCp	1	1	1	307	158	154	148%
541	10	SoftwareCp	1	1	1	307	158	154	148%
51	26	SoftwareCp	1	1	1	307	158	154	148%
617	40	SoftwareCp	1	1	1	307	158	154	148%
745	17	SoftwareCp	1	1	1	307	158	154	148%
57	24	SoftwareCp	1	1	1	307	158	154	148%
307	10	SoftwareCp	1	1	1	307	158	154	148%
104	6	SoftwareCp	1	1	1	307	158	154	148%
71	19	SoftwareCp	1	1	1	307	158	154	148%
95	44	SoftwareCp	1	1	1	307	158	154	148%
51	19	SoftwareCp	1	1	1	307	158	154	148%
181	14	SoftwareCp	1	1	1	307	158	154	148%
25	13	SoftwareCp	1	1	1	307	158	154	148%
189	9	SoftwareCp	1	1	1	307	158	154	148%
356	24	SoftwareCp	1	1	1	307	158	154	148%
40	30	SoftwareCp	1	1	1	307	158	154	148%
541	10	SoftwareCp	1	1	1	307	158	154	148%
51	26	SoftwareCp	1	1	1	307	158	154	148%
617	40	SoftwareCp	1	1	1	307	158	154	148%
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40%	23%	US Inds	-	20	-	7	19	422	20%
40%	23%	US Corp	-	16	-	4	314	272	20%
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E-mail address: moneyrep@iht.com

European Staffing-Company Shares



In Europe, a New Taste For Labor Flexibility

Growth Outlook Lifts Temp-Agency Stocks

By Conrad de Aenlle

THE SEEMS THAT every trend in Europe — corporate restructuring, labor-market reform, economic recovery, the embrace of new technologies — works to the advantage of companies in the staffing business, and their shares have soared to reflect this. Over the last 12 months, 14 stocks in the industry tracked by Goldman Sachs International have risen on average by 62 percent.

"On the Continent and in the U.K., companies are outsourcing, focusing on core competencies," Niall MacLeod, who follows the industry for Salomon Smith Barney, said in explaining the appeal of staffing companies to European corporations and investors. "There is a desire to have greater flexibility of labor, people doing things at certain times. There is structural long-term growth in the industry."

Driving much of that growth is the fact that governments, especially in large countries like France and Germany, are making it easier for companies to hire and fire.

"With respect to labor reform, there are a lot of reasons to be confident," Mr. MacLeod said. "In Germany, maximum lengths of contracts have been extended for temporary workers, and in Italy, temporary employment has been legalized. There will be huge structural change in the next five years."

Staffing-company placements represent 1.5 percent of European workers, compared with 2.0 percent in the United States. With labor-market restrictions easing in Europe and strong economic growth, they may rapidly increase that proportion to up to 10 percent, said Boris Bernstein of Goldman Sachs.

The industry has undergone a change in the way investors perceive it. Roger Monson, chief equity strategist at Daimler-Benz, said that the industry used to be viewed as countercyclical, with profits and share prices rising as economies were pulling out of recession.

"The countercyclical argument had it that during slow economic times companies would make more use of temps, since they would not want to commit to permanent staff until long-term demand picked up," he said.

The industry is now seen as being more in phase with the economy, and with the European economy apparently in a sustained period of growth, in-



CHANGING JOBS

Those are rich valuations — rich enough to warrant caution, analysts said.

"Longer term, the group will continue to be promising," Mr. Bernstein said. "They're not cheap, but given the growth outlook and how cash-generative they are, they're reasonable value."

"But you have to believe we won't see the economic cycle turn in the next two years," he added. "If we do get an economic downturn, they could be bad investments."

Mr. Bernstein has a "trading buy" on Content NV, a Dutch general-staffing company that carries a significantly higher valuation than its peers after a drop in its share price.

Among others in the general sector, he rates Adecco SA of Switzerland a "market outperformer" and gives Randstad NV of the Netherlands a weaker "market performer" opinion.

The British specialty company Select Appointments (Holdings) PLC draws an "outperformer" rating. It had been on Goldman's recommended list, but fell from grace when its shares reached a stiff £5 (\$14.60). Brunel NV, a Dutch specialist, is expected to move in line with the broad market.

Mr. MacLeod has a kinder opinion of Brunel, calling it "a fantastic business."

Timothy Steer, an analyst at Merrill Lynch & Co., has a buy rating on Parity PLC, a British company specializing in information technology, whose margins he expects will improve. He has a neutral rating on PSD Group PLC, which recruits permanent staff for the information-technology industry, not temporary workers.

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As Japan Slims Down, Job-Finders Fatten Up

Outplacement Firms Profit From Economy in Flux

By Miki Tanikawa

THERE'S HUNTING for bargains among Japanese stocks. Only to see your picks pummeled by the country's imploding economy? Perhaps you should look for companies that do well because of the weakness and the structural changes it is forcing on corporate Japan.

Drake Beam Morin Japan Inc., an outplacement company that helps clients released workers find new employment, is getting good reviews from investment analysts. The practice of laying off workers, which was considered largely a preserve of foreign companies in Japan, is now slowly being embraced by some large Japanese companies because of mounting pressure to streamline.

Drake Beam Morin Japan was founded in 1984 when the current president, Atsuhiko Tateuchi, concluded a licensing agreement with the American outplacement agency of the same name to operate a financially independent concern. It has found itself in an increasingly favorable operating environment as the recession in Japan lingers on. The

company, after years of solid growth, went public last autumn.

For Drake Beam, "companies' pressure to reduce personnel" is a tailwind, said Michihiro Ashiya, an analyst for Ichiyoshi Securities, which specializes in over-the-counter Japanese stocks.

Last year, after-tax profits for Drake Beam surged 100 percent to 208 million yen (\$1.46 million), a record for the company. Profit slipped 18 percent for the year ending in March, primarily because of costs associated with the public offering of the company's stock and recruitment of new sales staff, which has not yet begun contributing to earnings.

The company, however, forecasts an 18 percent profit growth this year as its new sales force and new branches in Sapporo, Hiroshima and Sendai begin to contribute to the bottom line.

Analysts said that few companies in Japan possess the accumulated know-how and credentials that Drake Beam Morin Japan does in landing new jobs for released managers. According to company figures, 97 percent of its cli-

Continued on Page 19

Executive Privilege: Earn Now, Payoff Later

American-Style Bonuses and Stock Options Signal a Trend Toward Deferred Compensation

By Aline Sullivan

America's streets may not be paved with gold, but they sure can seem that way to executives working elsewhere. Basic salaries are not much higher than in many other countries, but fabulous bonuses and stock options make the United States the land of opportunity, at least for those working well above street level.

Discrepancies between remuneration in the United States and elsewhere are most apparent at the top of the corporate ladder. The rich in America's boardrooms are truly different: Chief executive officers made an average of \$901,181 last year, according to research by the consulting firm Towers Perrin in New York. That is more than half again the amount made by their counterparts in Brazil, Hong Kong and Singapore, and twice that made by those in Australia, Canada, Germany and Japan, according to the study.

That disparity is even more startling at the biggest companies. A recent study by SCA Consulting in London found that chief executives at Fortune 100 companies in the United States make about \$5.4 million on average, or three times that earned by those at Britain's FT-SE 100 companies, even after adjusting for differences in sector, company size and business performance.

Variable bonuses and long-term incentive awards, notably stock options, send U.S. executives laughing all the way to the bank. Other components of executive compensation — which can include a basic salary plus regular payments such as vacation allowance, compulsory and voluntary company contributions, and perquisites such as the annual cash value of company cars and club memberships — are often doled out more generously in Europe and Latin America than in the United States. But their value is usually meager compared with the stock options.

For U.S. chief executives as a group, the variable bonus and long-term incentive award components account for more than half the total remuneration package, according to Towers Perrin. For chief executives of large companies, they represent about two thirds of the total.

It is this flexibility that enables the huge compensation packages of highly paid executives such as Sanford Weill, head of Travelers Group Inc., who collected \$220 million last year after exercising options on the company's stock, in addition to \$7 million in salary and bonus.

Despite the song lyric, Americans who can make it in New York can not necessarily make it anywhere. What has become commonplace in the United States can still evoke outrage in other, more egalitarian, societies.

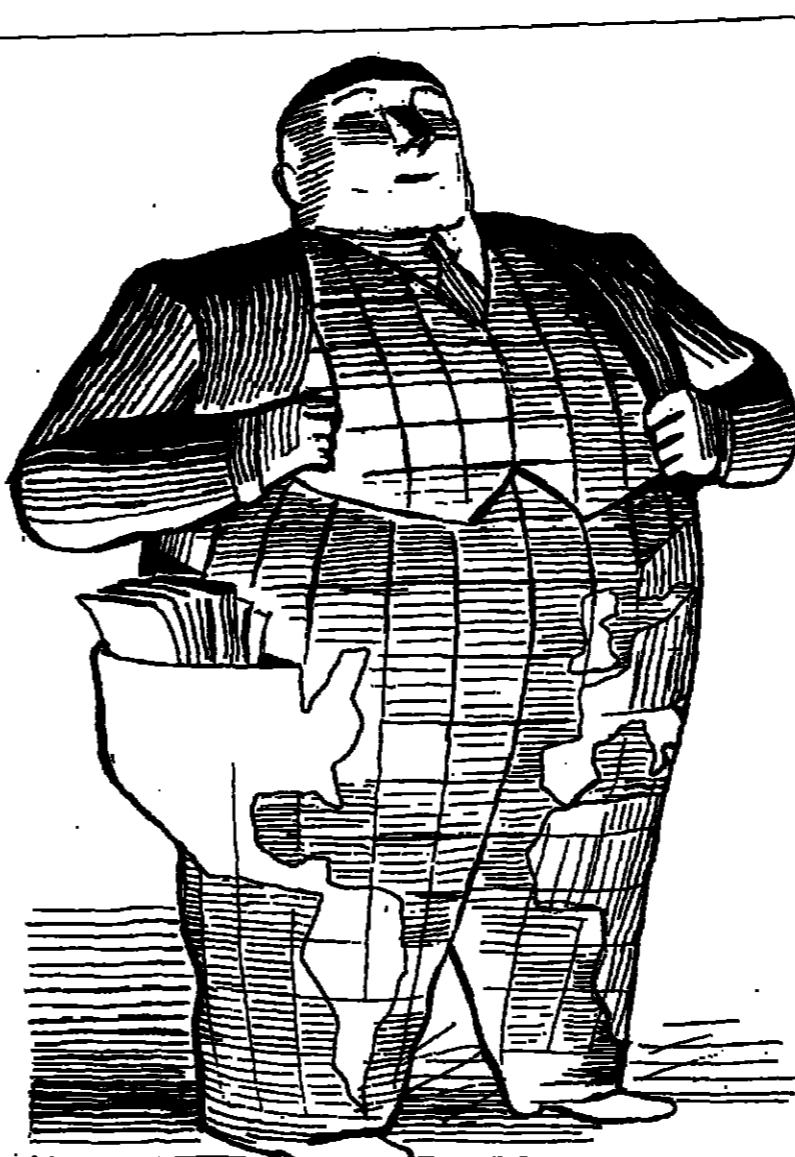
Huge paychecks for top executives are almost unheard of in New Zealand, for example, where chief executives average only \$183,233 a year, most of which is basic salary.

Among others in the general sector, he rates Adecco SA of Switzerland a "market outperformer" and gives Randstad NV of the Netherlands a weaker "market performer" opinion.

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David Suter

Compensation à la Carte

Total direct compensation as of March 1998, including long-term incentives, in thousands of U.S. dollars.

	Australia	France	Japan	Britain	U.S.
Managing Director	\$189	\$282	\$315	\$322	\$395
Financial Manager	127	146	169	219	317
Operations Manager	106	154	181	184	N.A.
Human Resources Manager	86	125	169	158	193

International Herald Tribune

But long-term incentives are increasingly popular in Britain, Germany and in socialist-oriented countries such as France and Sweden.

The SCA study suggested that there were solid reasons for this trend.

"A greater risk-to-reward relationship reinforces performance-focused culture and balances the importance of short-term and long-term executive decisions," the researchers said.

"While it is debatable whether U.S. CEO pay is sufficiently performance-based, it is undeniable that the pay structure provides a mechanism to achieve this aim."

That same thinking can, and increasingly does, apply to executives lower down the ladder, both in the United States and in other countries.

"More employees, in more countries than ever before, are receiving a larger share of their total remuneration through annual and long-term executive incentives," the Towers Perrin report said.

Executives may find their employees

surprisingly receptive to requests for incentives as businesses everywhere struggle to hold on to valued employees. A recent study by Manchester Partners International, a resource consultancy based in Philadelphia, found that most companies are offering better compensation and benefits, including stock options, profit-sharing and retention bonuses.

They have good reason: Demand for executives worldwide rose 7 percent during the first quarter of 1998, according to International Executive Demand Index.

"Executive demand around the globe is being fueled by technology, software, telecommunications and industrial companies," said Windie Prenn, president of Korn/Ferry International North America.

"It's interesting to note that industries — basic industries of the 20th century economy — are going head-to-head with companies of the service-oriented millennium economy, competing for top executives."

THAT SAID, substantial stock options remain at least partly the preserve of chairmen and chief executives. More than 90 percent of Fortune 100 companies grant stock options to their chief executive, but fewer than half make more than a gesture to the rank and file. Outside the United States, that proportion is far lower.

Top executives in the United States derive more than half their \$395,000 annual average earnings from stock options and bonuses, making them the best-paid managers in the world. Strip away the long-term incentives, however, and their pay is less than that of their counterparts in Britain and Japan, according to Towers Perrin.

In the field of human resources, where long-term incentives represent a still important but smaller proportion of total compensation — about 20 percent — employees in the United States have less to crow about. The average total remuneration in the field — \$193,000 in the United States — is not much more than in Japan and Britain and is significantly less than in Argentina and Brazil, where perks are more lavish.

Variable bonuses and long-term incentives represent an even smaller proportion — about 10 percent — of the compensation for an accountant with a professional qualification and about five years of experience, according to Towers Perrin. Again, that has a significant impact on the profession's relative earnings. An accountant makes about \$64,646 in the United States, ranking only seventh in the 24 countries surveyed.

Far from the rarefied air enjoyed by U.S. executives are the country's manufacturing employees. Their average \$37,856 compensation, which includes no long-term incentives, is substantially less than that of their counterparts in Germany, Japan and Switzerland and roughly on par with most West European countries.

As for the industry's traditional players, like Manpower Inc. and Oosten Corp., analysts expect them to remain profitable, but not at the levels of the smaller, professional players. Manpower's profit margins of 18 percent compare with 30 percent for Robert Half.

Paradoxically, the U.S. unemployment rate, which fell to a 28-year low of 4.3 percent last week, is not a bonanza for these more traditional staffing companies, who find the most profitable levels to be from 5.5 to 6 percent.

At the current unemployment level, "their clients need more temporary staff," Mr. Roswell said, "but the flip side is that we are seeing spot labor shortages, where they can fill only one request out of three, so the temporary staff firms have to spend more to recruit and train new employees."

Many of these groups have made acquisitions in Europe, where the industry has more growth ahead than in the United States, although they face fierce competition there, as well as a different set of unknowns.

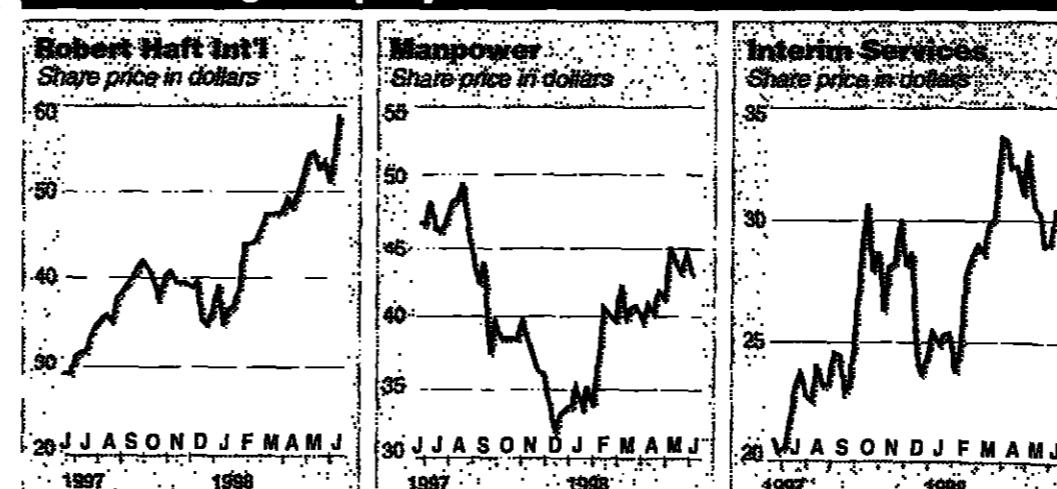
Manpower is a good example: With \$7.3 billion in sales last year, it is seen as a solid, well-managed company, but its first-quarter earnings fell 18 percent when it was hit by unfavorable currency translations. More damage was inflicted when France, where it does 40 percent of its non-U.S. business, repealed tax credits for companies employing low-skill employees.

* ACCUSTAFF INC. and MANPOWER INC. are both traded on the New York Stock Exchange and the Frankfurt Stock Exchange. ** ACCUSTAFF, INTERIM SERVICES INC. and ROBERT HALF INTERNATIONAL INC. are traded on the New York Stock Exchange.

Specialists Help U.S. Firms Move Up the Skills Scale

By Judith Rehak

U.S. Staffing-Company Shares



Scott said she expected Half's share price, currently around \$50, to go as high as \$62 over the next 12 months.

Matthew Roswell, who follows the industry for Legg Mason, a Baltimore brokerage, favors AccuStaff Inc., a company that gets two thirds of its profits from the information technology area. The company provides a range of professionals to the sector, up to those who can handle high-end business software programs made by such companies as SAP AG of Germany and PeopleSoft Inc., commanding top billing rates. AccuStaff's earnings leaped 45 percent in the first quarter of this year. Mr. Roswell expects earnings per share to grow to \$1.31 this year from 98 cents in 1997.

In an even more specialized play, he also likes CDI Corp., the largest supplier of technical and engineering personnel in the United States. The Philadelphia company's stock price slumped in April, when it announced flat earnings, the result of higher-than-anticipated expenses in starting up service for several new customers. That is only temporary in Mr. Roswell's opinion, and he remains positive on the company, which announced several new contracts with, among others, the aerospace companies United Technologies Corp. and Parker Aerospace, a unit of Parker Hannifin Corp.

Other temporary staffing companies are still operating partly in the lower-paying, traditional end of the business, but lifting profitability through value-added services. One of the most interesting, and a favorite of several analysts, is Interim Services Inc. Its workforce is divided equally between office employees and professionals, such as information-technology specialists. But what sets the company apart from its competitors is that it goes on site at a company, in effect setting up a branch that targets, fulfills and supervises all temporary employee needs.

They check the temporary staff's productivity against benchmarks, make sure they follow the job through to completion, Ms. Scott said. The company even checks that its temporary staff is properly dressed, she added. She expects Interim to post earnings per share of \$1.25 this year, up from 97 cents in 1997.

One intriguing question is where

these companies find such a high level

of professional personnel. Some have lost their jobs because of restructuring, only to find temporary work as a way to earn income, if not the avenue to a new

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THE MONEY REPORT

Playing It Safe in Asia

Buy Dollars and Get an MBA, Experts Advise

By Thomas Crampton

WHEN BOB Burgess turned up at his new job in July, he had the mission, mandate and means to build a world-class equities research team for a Thai finance company. His timing, however, was atrocious.

During his second day of work in the new office, Thailand dropped its defense of the baht, sending the currency reeling and kicking off an economic crisis that soon engulfed much of Asia.

His company and job were quick casualties of the crisis, but Mr. Burgess said that at least he had the satisfaction of seeing his personal investment plan vindicated.

"The fall of the baht took longer than I expected," he said, "but buying dollars paid off in the CHANGING JOBS

The collapse and closure of companies has left thousands of people jobless and many more worried about the future of their employment. In Thailand, two-thirds of the country's finance companies have been shut down within the last eight months, prompting most investment professionals to map out contingency plans in case they lose their jobs.

"I had long before sold out of Thai stocks and already changed most of my baht savings into dollars," said Mr. Burgess, who now works as a consultant on investment projects while searching for a full-time job. "Basically, my plan was—and still is—to convert all baht into dollars and basically stick it under the mattress."

Although the baht touched a low of 58 baht per dollar in January, Mr. Burgess said that up to now he has averaged an exchange rate of 28 baht per dollar.

Philip Sheridan, an investment analyst at Seamico Securities PCL in Bangkok, said it was important for

people worried about their jobs to plan for the worst and avoid risk as much as possible. That means ruling out anything that relies on or could be affected by Asia's now unstable currencies and plunging stock markets.

Mr. Sheridan recommended that people working outside of their home country put all debts and assets into the same currency to limit exposure in case exchange rates change sharply.

Putting equity investments into mutual funds or fixed-income funds rather than individual stocks and applying for credit cards before you lose your job are also possible tactics, Mr. Sheridan said.

"It's easier to line up a pool of credit with the card companies when you still have a job," he said. "At one point, I had enough credit cards to stop working for a year."

Many analysts in Bangkok's investment community are heavily weighted toward holding dollars in cash. Having watched economic collapse in Asia, these analysts say they were waiting for the other shoe to drop in the United States.

"The markets are so uncertain that people are staying very liquid," said Srinivas Pieters, strategist at SocGen Crosby Securities Thailand. "That way they are not committed to a losing market, but if investment opportunities turn up, they can take advantage of them."

In Thailand's current high-interest-rate environment, he said, money could be made simply by placing money in fixed deposit accounts with a three-month rollover.

At some point, he added, Thai stocks will be worth buying again and investors should be ready to move quickly.

Rather than face the uphill battle of searching for a job amid a regional recession, many people are investing in higher education. The cost of attending U.S. business schools has shot up for those with savings in local currency, so



Stuart Goldenberg

prospective students are turning to institutions in the region. Many business schools in Asia have reported a record level of inquiries as young professionals consider upgrading their skills.

"In an uncertain job market, people look for ways to better their chances of employment," said Steven DeKray, director of graduate business programs at the Hong Kong University of Science and Technology.

Although Mr. Burgess now has virtually all of his assets in cash or on short-term deposit, he plans to diversify his portfolio over the next two years.

"The dollar will still be O.K., even if you have a global recession," he said. "But I am going to also buy property and gold."

Mr. Burgess said he planned to invest in gold certificates in Singapore, in the hopes that central banks would stop selling off their reserves, which would allow prices to recover from their current low level.

"Gold has been and will be again an important means of storing monetary value," Mr. Burgess said. "In terms of property, the recession here will last three to eight years, so within the next few years it will be a very good place to buy property."

One analyst had a final bit of advice for those worried about their jobs: Develop good relations with a reliable lender of last resort.

"Don't get out of touch with your parents," he said, "in case you have to cash in for a family loan."

A Grand Tour of European Stock Picks

IF YOU'RE impressed with the U.S. stock market, you obviously haven't looked at Europe lately. Over the past 12 months, the Bloomberg European 500 index, which tracks the largest stocks on the Continent, has risen a stunning 86 percent. By contrast, the Standard & Poor's 500 index, the U.S. equivalent, is up 29 percent.

Can Europe continue to rise? Arthur Lerner of Arnold & S. Bleichroeder Inc., the venerable New York investment firm, certainly thinks so. Mr. Lerner manages the First Eagle International Fund, whose

interest rates are low and continue to fall as the Continent moves toward a common currency. Many companies in Europe are boosting productivity and actively trying to increase their stock values. In addition, government deficits are falling, and regulations slowly are being eased.

Europe is about ten years behind the United States in making companies more productive, but that's simply a good reason to buy the Continent's stocks now and hold them for at least a decade.

Still, Europe has economic prob-

lems. While Germany, France and Italy

expect to grow between 2.5 percent and 3.0 percent this year and next, unemployment remains above 11 percent in all three countries, compared with 4.3 percent in the United States. Heavy regulations, taxes and labor rules

hurt entrepreneurs and prevent skilled workers from moving to sectors where they're most needed.

Many European companies have figured out ways to circumvent this burdensome system, but, in general, the case for Continental stocks requires a combination of optimism and economic determinism. As I wrote a year ago, "France and Germany, especially, are going to be dragged, kicking and screaming, into the 21st century, whether they like it or not."

Mr. Lerner has been buying Wolters Kluwer NV, a Dutch specialty publisher whose dividends have been growing at 15 percent annually for the past five years.

His single largest holding is Volkswagen AG. A good example of a company that has restructured and repositioned, it's up 70 percent since January. Other German stocks that he owns: Adidas AG, the sportswear maker,

with a price-to-earnings ratio, based on estimated profits this year, of just 10, and Daimler-Benz AG, which is merging with Chrysler Corp.

Mr. Lerner is especially high on Italy, where, he says, "the goal posts are finally lined up"—in other words, the single European currency is enforcing stability.

He has been buying financial stocks like Banco di Napoli SpA and Credito Italiano SpA, but another approach would be simply to purchase shares in the closed-end Italy Fund, which has returned 38 percent so far this year.

Top holding for the fund is Telecom Italia SpA, which

has tripled in the past two and a half years.

Such hefty returns trouble Rob Friedman, one of the managers of the four Franklin Mutual Series funds, including Mutual European.

"I think the big caps have run away," he said, referring to European stocks in general. "But there is still value in the small and mid-caps."

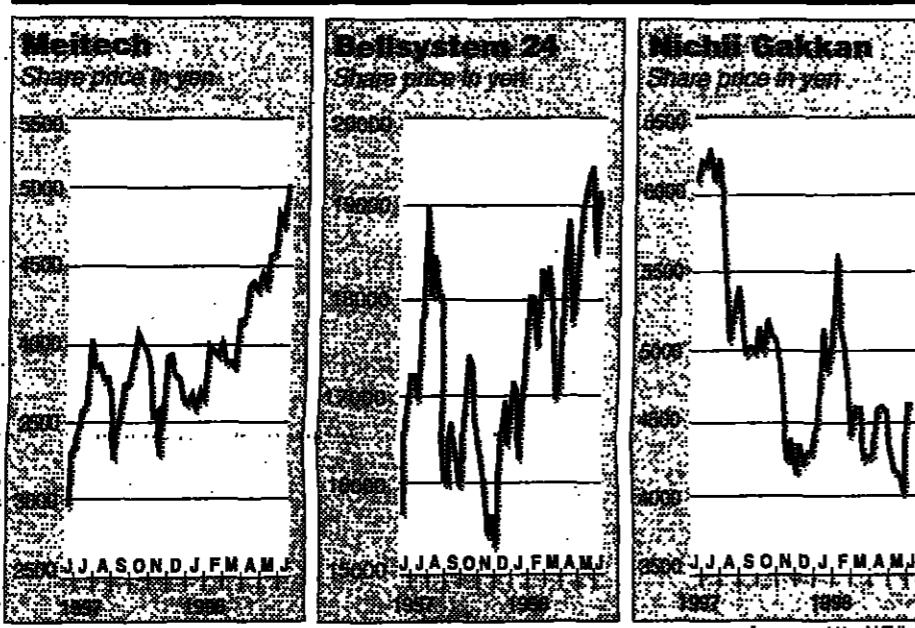
The best values, says Mr. Friedman, are in Britain, which has not participated in the recent run-up of European stock markets—in part because it has decided to stay out of the European monetary union for the time being and in part because it's far ahead of Continental countries in restructuring.

Mr. Friedman has been making unusual investments. One of his largest is in Railtrack Group PLC, which operates the newly privatized British railway infrastructure, owning valuable real estate like Victoria Station. The stock has doubled in the past year.

He has also bought Eurotunnel bonds and shares of several French companies, including Suez Lyonnaise des Eaux SA, a diversified utility and industrial company, and Elf Aquitaine SA, an oil company.

Washington Post Service

Japanese Staffing Company Shares



Source: Bloomberg

BRIEFCASE

Bidding War Afoot For Fonroola?

Fonroola Inc., the long-distance phone company based in Montreal that was recommended in The Money Report on Sept. 6, may become the object of a bidding war.

Call-Net Enterprises Inc. of Toronto, another long-distance company, extended its \$1.6 billion cash and share bid for Fonroola until midnight Monday, June 8. When the offer was first announced on April 15, Fonroola shares jumped 50 percent, to 66.40 Canadian dollars (\$45). They now trade at 67 dollars, based on expectations that Fonroola will be able to come up with a better bid.

Fonroola's vice-chairman and chief executive, Jan Peeters, has said the company is in talks with three other suitors, two Canadian and one foreign. Among the companies have mentioned as possible buyers are GTE Corp., British Telecommunications PLC and Telus Corp. Fonroola is considered at-

tractive due to its high-speed fiber-optic networks in Canada and the United States and its gateways in Toronto, New York and London. According to the Canadian Securities Commission, Fonroola has until June 26 to consider other bids. (IHT)

Jeweler Egan's Rights Issue

Egan International (Holdings) Ltd., a Hong Kong company featured in the May 30 Money Report issue on underfunded stocks, is hoping for a bigger following. The maker and distributor of name-brand jewelry and watches had postponed a rights issue in January and said it had enough cash to get through the Asian financial crisis.

Now, with the Hong Kong market plunging, Egan has decided not to wait any longer to raise funds. In an announcement published Thursday that drove its stock down by 20 percent in one day, Egan is now proposing to increase the number of

shares outstanding by 140 percent, in addition to listing separately its jewelry business. According to the company, current shareholders will be better off if they subscribe to the rights issue, since they are eligible for two new shares for every five they now hold, plus a bonus issue of five more shares and two shares of the new jewelry subsidiary.

The money Egan hopes to raise — about 441 million Hong Kong dollars (\$57 million) — will go to pay for newly acquired brands, expansion of the European distribution network and the expansion of the jewelry business.

Subscribers to the rights issue must pay 35 Hong Kong cents a share, a discount to the 40 cents the stock was at when it last traded. But foreign shareholders must either have a Hong Kong address or register their shares with Hong Kong's central clearing system in order to be eligible for the issue. Pending shareholder and stock exchange approval, the company is to begin trading July 27. (IHT)

2 New Stock Funds From SunAmerica

SunAmerica Inc.'s money-management unit is introducing two stock mutual funds, one to be overseen by outside portfolio managers and another to invest in the "Dogs of the Dow."

The Style Select Series Focus Portfolio will be managed by Elizabeth Bramwell of Bramwell Capital Management Inc., Spiros Segalas of Jennison Associates LLC and

Tom Marsico of Marsico Capital Management LLC, the company said. Each will be responsible for managing one third of the portfolio, choosing their 10 favorite stocks.

The "Dogs" of Wall Street Fund will invest in a portfolio of the 10 highest-yielding stocks that make up the Dow Jones Industrial Average and 20 high-yielding stocks that are part of the Standard & Poor's 400 Industrials Index. (Bloomberg)

Job Agencies Prospering in Japan

Continued from Page 18

swing, said Mr. Ohta of Jardine Fleming, bringing growth in operating profit of about 50 percent for the past three years.

"Demand for dispatched engineers remains strong," Mr. Ohta said. "As the social structure shifts, companies are eliminating full-time employees rather than dispatched workers."

Meitech acts as an employment agency, sending engineers to manufacturers in mechanical, electrical and software fields. But unlike the practice of other such agencies, the workers are full-time employees of Meitech.

The specialist nature of its employees leaves Meitech with a certain insulation against a downturn in the economy, since demand for skilled personnel is not completely cyclical.

Another similar company, Nichii Gakkan Co., dispatches medical clerks to hospitals and clinics. Hospitals save about 50 percent of their wage expenses by using Nichii Gakkan's dispatched workers instead of full-time hires, said Mr. Ohta, an alternative for Japanese hospitals, which are often criticized for being inefficient.

The potential market is huge because only 25 percent of the hospitals so far outsource the kind of work contracted by Nichii Gakkan. About two-thirds of Japanese hospitals are operating at a loss, according to Mr. Ohta.

The company just reported a 1997 profit of 2.4 billion yen, a 38 percent rise from the previous year. Mr. Ohta said he expected the company to enjoy 15 percent annual profit growth over the medium term.

Meitech Corp.'s expanding business in dispatching engineers to large manufacturers such as Mitsubishi Heavy Industries Co., Sony Corp. and Hitachi Ltd. illustrates the point.

Despite the overall economic slowdown, Japanese manufacturers' desire to outsource technicians from Meitech has been on the up-

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PAGE 21

WORLD ROUNDUP

Slumping Sampras
Exits Early Again

TENNIS Pete Sampras suffered a setback in his Wimbledon preparations Friday when he was beaten in straight sets by Mark Woodforde of Australia at the Queen's Club grass-court tournament in London.

The top-seeded Sampras, who had a bye in the first round and beat Wayne Black in the second round, looked flat as he slumped to a 6-3, 6-2 defeat on his favorite surface.

It was the latest surprising loss for Sampras, who was ousted in the second round of the French Open by the little-known Ramon Delgado of Paraguay.

Sampras had beaten the 66th-ranked Woodforde, known primarily as a doubles specialist, in all of their previous 10 matches, dropping only two sets in the process.

Queen's also lost its No. 2 seed when Greg Rusedski of Britain suffered an ankle injury during his third-round match against an Italian qualifier, Laurence Tielman. (AP)

• Steffi Graf, improving with each match in her preparation for Wimbledon, advanced to the semifinals of the DFS Classic in Birmingham, England, with a straight-set victory over Maria Luisa Serna of Spain on Friday.

The seven-time Wimbledon champion took 68 minutes to beat Serna, 6-4, 6-4, and set up a semifinal clash with the defending title holder, Nathalie Tauziat of France.

Graf, playing her third tournament since a knee operation last June, dropped only one service game to the left-hander from Barcelona. The German said her comeback was progressing better than she had expected. (AP)

More Trouble for Rodman

BASKETBALL Dennis Rodman, the Chicago Bulls' forward who led his team to victory in Game 4 of the NBA finals, has been sued for the second time in less than a week.

In a complaint filed Wednesday, a woman named Dixie Johnson claims the Chicago Bulls star grabbed one of her breasts and made lewd comments about it to spectators at the Las Vegas Hilton on April.

The lawsuit said Rodman committed battery and violated the federal Violence Against Women Act. Johnson is seeking compensatory damages of \$300,000 and punitive damages of \$3 million, plus attorney fees.

On June 5, James Brasich, a craps dealer at The Mirage in Las Vegas, filed a \$300,000 lawsuit against Rodman for allegedly humiliating him in October by rubbing his bald head, stomach and groin with the dice before rolling them. (AP)

Wings Soar in Overtime

Comeback Victory Gives Detroit a 2-0 Lead

By Joe Lapointe
New York Times Service

DETROIT — Their goalie made another critical mistake to allow another shabby score that threw his team into a tailspin.

Because of this, they squandered an early lead and fell behind by two goals — not once, but twice. They lost an important attacker with an injury midway through the game.

So what would the Detroit Red Wings do for the rest of Game 2 of the Stanley

STANLEY CUP FINALS

Cup finals Thursday night in Joe Louis Arena? Trailing 4-2 with less than 12 minutes remaining, the defending champions resumed their whirlwind attack, scoring two goals to send the game into overtime. Then they triggered a long, loud dance of delirium in their sweltering home rink by winning it at 15 minutes 24 seconds of the extra period on a goal by Kris Draper.

A checking specialist without a goal in this tournament, Draper jumped on the ice from the bench, charged unchecked to the net, took a long pass across the slot from Martin Lapointe and put the puck behind the Washington Capitals' goalie, Olaf Kolzig, for a 5-4 victory.

"I came on at a line change," Draper said. "I don't think anyone from Washington saw me coming in the back door. Many got the puck and I came in with my stick on the ice and one-timed it."

The result gave the Red Wings a 2-0 lead in the best-of-seven-game cham-

pionship series that will resume Saturday night with Game 3 in Washington.

Last year, Detroit swept the Philadelphia Flyers in the finals. In fact, every championship round since 1994 has ended in the minimum four games.

Steve Yzerman, the Detroit captain, scored two of the Detroit goals, one while shorthanded. Lapointe and Doug Brown scored in the third period to tie it.

Peter Bondra, Chris Simon, Adam Oates and Joe Juneau scored for the Capitals, who had won five consecutive overtime games in this tournament.

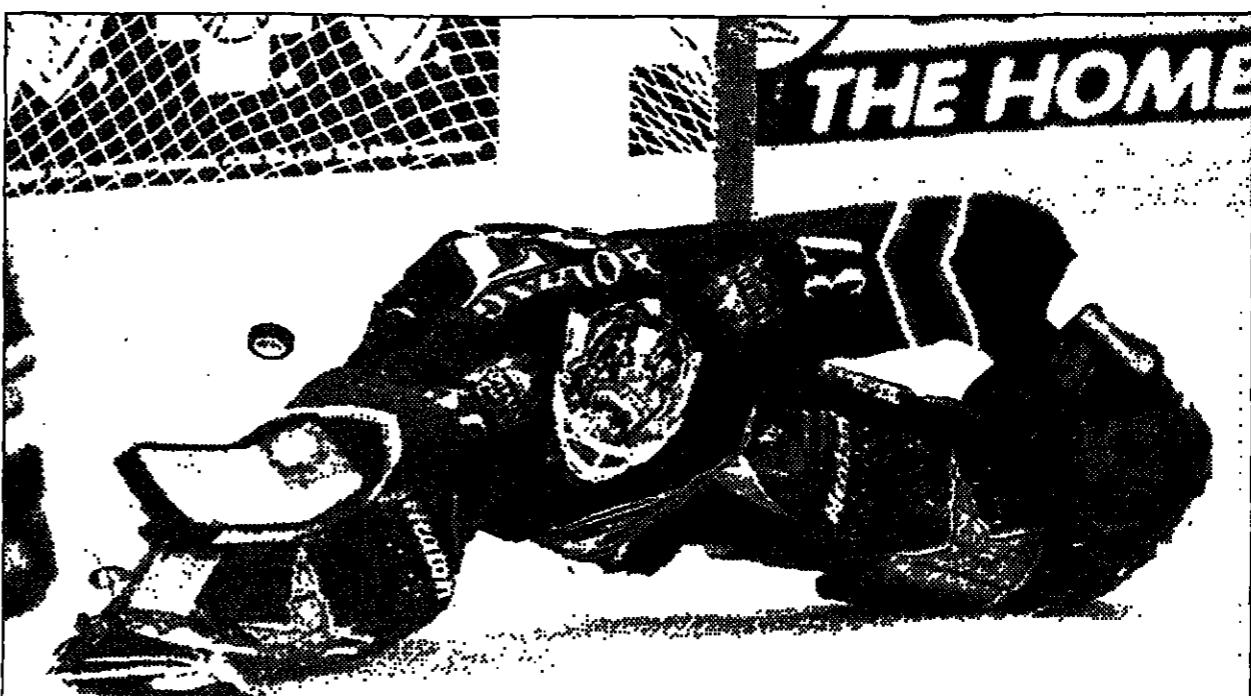
The Capitals might have short-circuited a Detroit comeback in the middle of the third period had Olaf Tikkainen finished a scoring chance. Shortly after Lapointe cut the Washington lead to 4-3, Tikkainen found himself alone in front of Detroit's Chris Osgood, with the goalie sprawled out of position. But Tikkainen shot the puck wide, and Detroit kept its momentum.

Ron Wilson, the Washington coach, said the Capitals "had the win right on Olaf Tikkainen's stick."

Tikkainen said: "I had the open net for like, three, four seconds. Next time, I have to make sure that it is in."

In the overtime period, Detroit had a 12-3 edge in shots on goal. For the game, the Red Wings' advantage was 60-33. They began the game with their dazzling, swirling attack — skating, passing, shooting with grace and energy — and seemed primed for a rout until Osgood let down his guard on a confusing play at 1:51 of the second period.

When Washington's Jeff Brown cleared the puck from his end of the ice,



Olaf Kolzig, the Capitals' goalie, sprawled as Kris Draper's game-winning shot flies by him in overtime. (AP Wirephoto)

it appeared at first that icing would be called against the Capitals. But no Red Wing got to the puck as it crossed the Detroit blue line.

Because Washington's Andrei Nikolishin had touched the puck as it passed through the neutral zone, an off-side possibility no longer held. So Peter Bondra raced to the puck and fired it behind Osgood from a bad angle in the left-wing faceoff circle.

In the three previous playoff rounds, Osgood had given up three goals on long shots from outside his blue line, one against each opponent. This time, his gaffe was to relax and forget about

defending his goal when no whistle sounded to stop play.

Reeling from this, the Wings then gave up two goals in the next 10 minutes to Simon and Oates, making it 3-1. Right after this, Osgood tried to throw a puck at Washington's Craig Berube, after a whistle.

He missed and, instead, hit the referee, Don Koharski, and got an unsportsmanlike-conduct penalty for his efforts. On a team full of unflappable veterans, Osgood is an inconsistent and unpredictable weak link.

Yzerman got one back while shorthanded early in the third period, but

Juneau made it 4-2 less than a minute later, on the same power play at 7:05. At this point, the Red Wings were being taunted by Simon and other Capitals' toughies. But instead of getting mad, the Wings got even.

"We were fortunate Tikkainen missed the open net," Yzerman said. "That was the break we needed."

They surged without Slava Kozlov, one of their top attackers, who left the game in the second period with a charley horse in his leg after being checked hard and legally by Sergei Gonchar. His condition is uncertain for the next game.

Expos Snap Yankees' Streak

The Associated Press

It is not unusual to see a high-scoring inning in a New York Yankees game. It is unusual, however, when the opponent is scoring the runs.

The Yankees' nine-game winning streak ended Thursday night when the Montreal Expos rallied for seven runs in the seventh inning for a 7-5 victory.

Vladimir Guerrero started the Expos' outburst with a double and capped it with a three-run double as Montreal batted around.

The visiting Yankees took a 5-0 lead into the seventh before the Expos rallied against five pitchers. Andy Pettitte, the starter for New York, left because of a twinge in his hip after giving up doubles to Guerrero and Ronald White.

Mike Stanton then gave up a walk and a single to load the bases, and Jose Vidro followed with a sacrifice fly to make it 5-2. The Expos went on to score five more runs, including Brad Fullmer's two-run double off Jeff Nelson (3-3).

METS 5, MARLINS 3 Bobby Jones won his fifth straight decision. Mike Piazza homered and Edgardo Alfonzo drove in the go-ahead run as New York won in Miami. Jones (6-3) allowed three runs and seven hits in seven innings, and John Franco pitched the ninth for his 14th save.

ATHLETICS 5, MARINERS 2 In Oakland, Mike Oquist got his fourth straight

BASEBALL ROUNDUP

victory, although his bid for his first career shutout was spoiled by Ken Griffey Jr.'s American League-leading 26th homer with two outs in the eighth. Griffey's two-run shot was his seventh homer in 10 games.

Oquist (4-3) allowed two runs and eight hits in 7 2/3 innings. He struck out six and did not walk a batter.

ANGELS 10, DIAMONDBACKS 5 In Phoenix, Dave Hollins homered twice and Darin Erstad had four hits, including a homer, for Anaheim. Hollins and Matt Walbeck connected to key a five-run first inning for the Angels.

An All-German Final for NFL Europe

By Mike Carlson
Special to the Herald Tribune

FRANKFURT — What World Cup? For more than 50,000 fans in Frankfurt on Sunday, the only game in town will be American football.

That's when the hometown Galaxy take on Dusseldorf's Rhein Fire for the NFL Europe's World Bowl championship. It will be the Galaxy's third final in four years, but the first at home for what many feel are the league's most devoted fans.

Frankfurt, one of the three original World League teams in 1991, and Rhein, born in Dusseldorf in 1995 when the league restarted as an all-European circuit, have been the showcase franchises for NFL Europe this year. So much so that a third German team will be added next season, in Berlin, most likely by transferring either the Barcelona franchise or the Scotland franchise, which along with England have suffered at the gate and on the field.

Scotland, a preseason favorite, won only two games this season and England won only three, prompting the resigna-

tion of the former NFL receiver Lionel Taylor as its coach.

Since the England Monarchs won the first World Bowl in 1991 before 61,000 fans in Wembley Stadium, British interest has dropped sharply. The Monarchs averaged less than 6,000 spectators per game at three different sites this season, and Scotland drew just 8,500 per game in Edinburgh and Glasgow.

The Rhein almost didn't make it to their own party. They needed a victory at Rhein in last week's regular-season finale to clinch a spot in the final. Trailing 14-0 before a Dusseldorf record crowd of 42,225, Frankfurt lost its quarterback, Damon Huard, to a separated shoulder. But Chris Dietrich filled in and sparked a comeback, and Ralf Kleemann kicked a game-tying field goal with 1:43 remaining.

A 56-yard punt return by Kenny McEntire then set up Kleemann's 46-yard game winner with less than minute left in overtime.

Frankfurt emerged as the league champion the next day when Amsterdam's victory over Scotland relegated Rhein, which had led the league from

the season's first week, to the runner-up spot. The Dutch triumph capped a remarkable head coaching debut for Dick Curl, the long-time offensive coordinator for Jack Bicknell with the Barcelona Dragons and, before that, at Boston College. Curl was voted the league's coach of the year.

Rhein's coach, Galen Hall, has lost twice in World Bowls, with the Orlando Thunder in 1992 and last year when the Dragons snuffed the Fire in Barcelona.

After a 6-0 start this season, his team has lost three of its last four games. Hall hopes his team will recover the same way Barcelona, which had lost four of five before last year's final, did against his team. In Marcus Robinson, the wide receiver allocated from the Chicago Bears, he has the league's most valuable player on offense.

"I know we can put it all together Sunday," Robinson said. "There's too much talent on this team not to."

One such talent, the quarterback Mike Quinn, allocated from the Pittsburgh Steelers, sprained his ankle on the Fire's last play last week. He has not practiced all week, but is expected to start.

SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE

EAST DIVISION

W L Pct GB

New York 46 14 .767 0.5

Boston 37 26 .587 1.5

Toronto 52 31 .605 1.5

Baltimore 31 24 .574 1.5

Tempe Bay 27 37 .422 2.1

CENTRAL DIVISION

W L Pct GB

Cleveland 38 26 .594 1

Minnesota 29 34 .460 1.9

Chicago 26 35 .455 2.0

St. Louis 23 38 .477 1.9

Kansas City 23 40 .364 1.4

WEST DIVISION

W L Pct GB

Texas 39 25 .609 1

Seattle 34 27 .602 1

Oakland 28 35 .588 1.1

Seattle 28 38 .424 2.1

NATIONAL LEAGUE

EAST DIVISION

W L Pct GB

Astros 35 27 .562 1

Phillies 34 28 .559 1

Braves 30 33 .508 2.7

Pittsburgh 31 31 .500 2.0

Milwaukee 30 34 .469 1.9

St. Louis 28 38 .494 1.3

Cincinnati 21 45 .421 1

San Diego 41 25 .621 1

San Francisco 41 22 .621 1

Los Angeles 33 32 .727 1.7

Colorado 27 35 .409 1.4

Arizona 21 45 .318 2.0

CRICKET

SOUTH AFRICA VS. SOUTH AFRICA

THREE-DAY MATCH, FIRST DAY

FRIDAY IN ARUNDEL, ENGLAND

SUBSEQUENT DATES

MONDAY, JUNE 15

TUESDAY, JUNE 16

WEDNESDAY, JUNE 17

THURSDAY, JUNE 18

FRIDAY, JUNE 19

WORLD CUP

Here Come the Germans, And U.S. Team Is Braced

By George Vecsey

PARIS — Claudio Reyna always thought you *played* soccer. His father had been a professional in Argentina. He became a professional in the United States. And soccer is, at its core, a game.

Then he went to play in Germany.

The first time he practiced with his German club, he was dribbling the ball blithely when his new chums came blasting in with sliding tackles associated with the grittiest league games. "This," Reyna thought to himself, "is not normal."

Well, maybe it was an initiation rite. They would get over it.

The next day they held practice on an ash field, not a blade of grass to be seen. "I figured, 'They won't do it here,'" Reyna recalled. "They did." He had the bruises to prove it.

This was part of the education of Reyna, a member of the U.S. World Cup team who plays for VfL Wolfsburg, and all the other Yanks who have gone to Germany to make a living with the hardest soccer players on the face of the earth. There is no samba in Germany, no soccer-mom appeal, no fooling around.

The Americans will receive another blunt reminder Sunday when they encounter the hard old boys in their first game of this World Cup.

Germany is the most relentless team in the universe. Always, in the 1982 World Cup semifinals, it overcame a 3-1 French lead — in overtime, that is. In this rapidly homogenizing world of global television, European unity and Jordanized marketing, the Germans still come at you like nobody else, opening whistle to closing whistle.

"Germans are very machine-like," said Joe-Max Moore, another member of the American squad who has played in Germany, at Saarbrucken and Nuremberg. "They won't stop. They are mentally stronger than most countries."

One of the endearing aspects of world soccer is that many national and ethnic stereotypes not only come true but are actually celebrated. Brazilians are proud of playing like Brazilians, open and creative, and Germans are proud of never quitting.

"They're born with it," Moore said. "They work over there, not just on the soccer

field. They work six days a week over there, that's all I know. The soccer players work six days a week, two hours a day. They work every minute of it. That's not normal."

Being merely soccer players, Moore and Reyna do not have to worry about being politically correct. They describe what they see and feel.

"I think Americans and Germans are very similar," Moore said. "The difference is that Germany has thousands of players to choose from and we don't. They have guys in the second and third division who could play for us."

Since Paul Caligiuri blazed the trail in Germany in the mid-'80s, the Germans have been quite receptive to hiring Americans. Fortunately, there is a double standard. The Germans do not expect the Americans to act like them off the field.

"When Chad and I went over there, we went to practice in floppies and shorts and baseball caps," recalled Reyna, referring to his U.S. teammate, Chad Deering, who also has experience in Germany. "The German guys were dressed better. They just looked at us. They like to be informal, too. That's why they love going to California on vacation."

"But when they come to work, they work. They stress being on time. I mean, we weren't late, but we'd get there right on time and they'd all be looking at us. They're never late for anything."

Thomas Dooley admits there is a difference. The son of an American soldier, he grew up as a German until he qualified for American citizenship in 1994.

Of his arrival in the States, Dooley said: "When I came over here, I don't want to say they weren't organized, but they had more freedom. The Germans like more control. If the coach says you have to stay somewhere, the players do not say anything."

Dooley has learned English and is one of the most urbane of the American players, as well as the new captain.

Reyna expressed the hope that the weather might hamper the Germans. "If the temperature is warm, they won't like that," he said.

Unfortunately for the Yanks, the weather has been downright fresh, which means they can expect hard times for 90 minutes, as usual. It could be worse. They could be meeting the Germans on a field of ashes.



Denmark's Marc Rieper scoring past Mohammed Deaya of Saudi Arabia on Friday.

Rieper's Header Clinches It As Saudi Defense Stumbles

The Associated Press

LENS, France — A defender, Marc Rieper, succeeded where Denmark's strikers had failed Friday, heading Denmark to a 1-0 victory over Saudi Arabia in their World Cup C match.

Rieper rose unguarded in front of the goal

DENMARK 1, SAUDI ARABIA 0

in the 68th minute to score in a scrappy match that Denmark dominated.

"We created a lot of chances, so we should have won by a bigger margin," Rieper said.

Brian Laudrup and his older brother Michael caused problems for the Saudi defense with quick passes and inventive running, but nobody could provide the finishing touch. As the half wore on, Saudi Arabia grew in confidence and began to pose a threat.

"They had that good free kick, which Schmeichel saved brilliantly, but apart from that I thought we had them under control," Rieper said.

Denmark finally scored in the 68th minute when Brian Laudrup crossed from the right to Rieper in the center, who headed the ball past Mohammed Deaya. The chance was a gift to the Danes after some poor Saudi defending.

"We played against a good team with nice players and they did well," said the Saudi coach, Carlos Parreira, who led Brazil to World Cup victory four years ago. "My players should leave with their heads up. We played tough against a good team."

Ebbe Sand, Martin Jorgensen and Rieper all had good chances in the first half.

Just before halftime, Peter Schmeichel flung himself sideways in goal to get a hand to a free kick by Saeed Owairan.

"They had that good free kick, which Schmeichel saved brilliantly, but apart from that I thought we had them under control," Rieper said.

Denmark finally scored in the 68th minute when Brian Laudrup crossed from the right to Rieper in the center, who headed the ball past Mohammed Deaya. The chance was a gift to the Danes after some poor Saudi defending.

A Wild Weekend as 'Scary' Teams Begin Pursuit of Glory

By Peter Berlin

International Herald Tribune

SPAIN vs. NIGERIA, Nantes, Saturday 2:30 P.M. Two of the scarier teams in the World Cup kick off their campaigns. Group D has been dubbed the Group of Death because of the playing skills of the four teams in it, but Spain and Nigeria mix a strong streak of ruthless machismo into their play that could turn it, at least, into the Group of Nasty Injuries.

Both teams have the ability to reach the later stages of the competition, and both must

WEEKEND MATCHUPS

have been encouraged by the 0-0 draw between their two rivals, Paraguay and Bulgaria, on Friday. Anatoli Nankov of Bulgaria did gain the first red card of the tournament, and if the game grows ill-tempered, these two teams could add to that count.

Nigeria has become a huge exporter of players, but few of its stars have stuck with top-flight teams. The exceptions include Taribo West, a powerful, smart and ruthless defender, and his Inter Milan teammate, Nwankwo Kanu, a delightful attacker. Kanu has hardly played for two years after un-

dergoing heart surgery. At his peak, he can unpick any defense.

Spain qualified unbeaten for its sixth straight appearance in the finals. But time and again in previous appearances, Spain has failed to score goals on the biggest occasions.

Luis Enrique, a powerful midfield player, and Fernando Hierro, an elegant but hard-edged center half, epitomize Spanish strengths. But a lot rests on Raul, a 20-year-old attacker of immense talent. His form over much of the past year has been poor.

SOUTH KOREA vs. MEXICO, Lyon, Saturday 5:30 P.M. A victory could give either of these lightly-regarded teams the confidence that would unlock their abilities.

Mexico, quarterfinalists in the last World Cup, qualified comfortably and then fired Coach Bora Milutinovic because they hadn't played like Brazil. Manuel Lapuente, the new coach, will settle for three points Saturday, regardless of style. Much rests on Luis Hernandez, the top scorer in last year's Copa America.

South Korea, in its fourth successive World Cup, has yet to win a match. But it has come close. In 1994, it drew with Spain and Bolivia and lost by the close score of 3-2 to Germany.

NETHERLANDS vs. BELGIUM, St. Denis, Saturday 5:30 P.M. The stylish Dutch players act and talk as if they are the world champions and know if they fail they can only blame themselves (or, as they usually do, each other). Their Belgian neighbors know they will have to grind out victories.

Both countries pretend the match is not that important. "If we beat Mexico and South Korea, we qualify for the second round — the rest is just a bonus," said George Leekens, the Belgian coach.

Leekens has recalled Enzo Scifo to the mid-field, but may prefer to start the hard-working Marc Wilmots. Luc Nilis, a striker who earns his living with Eindhoven in the Dutch league, is the man most likely to puncture Dutch pretensions.

Dennis Bergkamp, the Dutch striker, will probably miss the game and Captain Frank de Boer has an ankle injury and is doubtful.

ARGENTINA vs. JAPAN, Toulouse, Sunday 2:30 P.M. The 12,000 Japanese fans stranded without tickets for this match may thank their travel agents.

Gabriel Batistuta, Argentina's great scorer, will know this match presents an ideal opportunity to upstage Marcelo Salas and Ronaldo. The defense, under the guidance of

coach Daniel Pasarella, will undoubtedly be one of the best in the tournament.

Japan barely squeaked through from the Asian qualifying zone. It has young talent, but this could be a difficult introduction to the World Cup.

YUGOSLAVIA vs. IRAN, St. Etienne, Sunday 5:30 P.M. The new Yugoslavia arrives loaded with talent, just as the old Yugoslavia did for so many competitions in the old days. Can this Yugoslavia do better?

Pedrag Mijatovic scored to win the European Champions Cup for Real Madrid last month. Vladimir Jugovic and Dejan Savicic have each played for two Champions Cup winning clubs.

Iran barely squeaked through to the finals and has had four coaches in less than a year. However, its trio of German-based players — the strikers Khodadad Azari and Ali Daei and the midfielder Karim Bagheri — proved consistently dangerous in the qualifying rounds.

JAMAICA vs. CROATIA, Lens, Sunday 9:00 P.M. Two countries make their World Cup debuts with very different expectations.

Croatia provided many of the players for the underachieving teams of the old Yugoslavia. It made a decent debut in Euro '96, losing to Germany in the quarterfinals, but its preparations have been blighted by injuries.

When Sportsmen Deserve Acclaim

Knighthood Matters Not, But Children Need Heroes

By Rob Hughes

International Herald Tribune

though his knighthood can surely not be long. Maybe its held up in the post.

I mean no disrespect to Hurst, who is a perfectly decent man. But Hurst was not a phenomenal talent. He was a strong athlete and an opportunist who scored the only hat-trick in any of the 15 World Cup Finals. He was a member of the team principally because Sir Alf Ramsey knighted as you would guess because of 1966, was a manager who did not appreciate the genius of Jimmy Greaves.

Greaves displeased Ramsey because he didn't show the same work-ethic as Hurst, and because he drank. So the genius was dropped, the apprentice scored, and voila, knighted.

American readers must wonder what it is all about. They have "Sir" Charles Barclay, a basketball forward with the Houston Rockets, but that title carries more than a little irony. Michael Jordan has to be content with the sobriquet "Air."

It is, principally, the English and the French who bestow honors with a capital "H" on sports players who, we may think, make enough through their fame and their bank balance.

The timing is impeccable," were Hurst's first words when he found out he would be Sir Geoffrey.

He knows better than most that he is an ordinary man. His post-soccer life has been in insurance. He may feel flattered that he has become English soccer's fifth knight, after Ramsey, Charlton and two of the older legends: Sir Stanley Matthews and Sir Tom Finney.

Sport is living in false times, and awards beyond the playing field are unnecessary adorments to the winning of class sport. The profile has never been higher and, coincidentally, nor has the hunger to stage the World Cup again in 2006 at a cost estimated at about \$360 million.

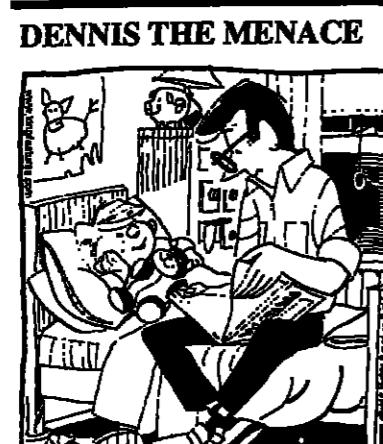
Hurst happens to be a traveling companion around the globe of Sir Bobby Charlton, also knighted for his soccer exploits, in particular his survival of the Munich air crash involving Manchester United in 1958 on his culminating achievement — helping to win the World Cup 32 years ago.

Their purpose in encircling the globe is to shake the hands and persuade the members of the FIFA executive committee. They are ambassadors, persuaders, and they are joined by Gary Lineker, the former England striker, also knighted.

Rob Hughes is sports correspondent of The Times of London.

DENNIS THE MENACE

PEANUTS



GARFIELD



BEETLE BAILEY



BLONDIE

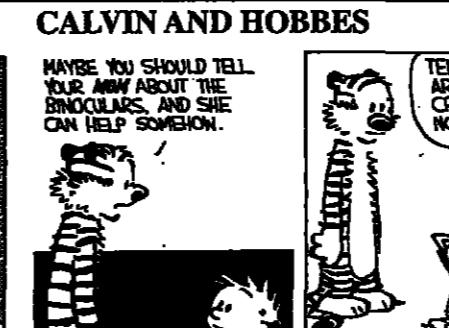


EDUCATION

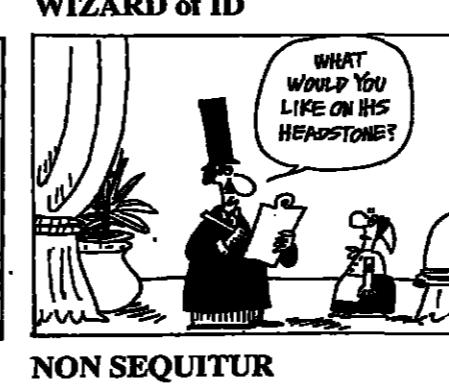
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EUROSPORT

CALVIN AND HOBBES



WIZARD OF ID



NON SEQUITUR



DOONESBURY



DAVE BARRY

Snake Handling Aloft

Miami — For those of you planning to travel by air, here are some amazing statistics about the U.S. airline industry (motto: "We're Hoping to Have a Moto Announcement in About an Hour"). This year, U.S. airlines will carry a record 143 million passengers, who will be in the air for 382 million hours, during which they will be fed an estimated total of four peanuts.

Yes, the airlines are cutting back on food service, as was dramatically demonstrated on a recent New-York-to-London flight wherein nine first-class passengers were eaten by raiders from coach. But despite the cutbacks, the U.S. airline industry is still one of the safest on Earth; the only nation with a better safety record is the Republic of Kyrgyzstan, which has only one airplane and can't figure out how to start it.

The U.S. airline industry, in contrast, boasts a vast fleet of modern planes maintained by a corps of highly professional mechanics, by which I mean "mechanics who are all wearing the same color uniform." This is not the case in some countries. One time I was leaving a Caribbean island aboard a two-propeller airplane with a name like "Air Limbo."

As we sat on the runway, getting ready for takeoff, I could not help but notice that an important-looking fluid was gushing out of the engine on my side. This made me nervous, so I was relieved when a man wearing shorts and flip-flops came over to take a look. He studied the fluid, which was really pouring out, then he turned toward the pilot and made the "O.K." sign. I was thinking, "O.K.? WHAT DO YOU MEAN, O.K.?" And while I was thinking that, we took off. We did make it to our destination, but I'm pretty sure we were followed the whole way by a pack of hungry sharks thinking, "That thing can't stay up there much longer!"

You generally don't have to worry about sharks with domestic air travel, but there are things you need to know, which is why today I'm presenting these:

Answers to Common Air-Travel Questions:

Q. Airline fares are very confusing. How, exactly, does the airline determine the price of my ticket?

A. That is determined by Rudy the Fare Chicken, who decides the price of each ticket individually by pecking on a computer keyboard sprinkled with corn. If an airline agent tells you that they're having "computer problems," this means that Rudy is sick, and technicians are trying to activate the backup system. Conrad the Fare Hamster.

Q. What do they mean by "mechanical problems"?

A. They mean that the pilot cannot find his magic feather.

Q. What precautions will be taken to insure that there is no terrorist bomb aboard my aircraft?

A. The airline agent will ask you a series of security questions shrewdly designed to outwit terrorism, such as: "Did any terrorist unknown to you give you a bomb to carry on board this plane?" Also, if you have a laptop computer, they may ask you to turn it on, thus proving that it is not a terrorist bomb.

Q. But couldn't a terrorist easily put a bomb in a computer in such a way that the computer could still be turned on?

A. Shut up.

Q. What happens to my carry-on baggage when it goes through the X-ray machine?

A. There is a man named Karl crouching inside there who paws rapidly through your belongings.

Q. Looking for terrorist bombs?

A. No. Soiled underwear.

Q. How much carry-on baggage am I allowed to take?

A. In the past, passengers had to be able to physically lift the luggage to carry it on to the plane. But that restriction has been eliminated, thanks to the discovery, by the luggage industry, of wheels. Today, passengers routinely board airplanes towing suitcases the size of sleeper sofas. On a recent TWA flight from St. Louis to Atlanta, a passenger boarded with a Volkswagen Jetta, which he was able to get into the overhead storage bin after just seven hours of shaving.

Q. What is that thumping noise you sometimes hear after takeoff?

A. That is Vormax, Hell Demon of the Cargo Hold. It is nothing to worry about.

Q. Why do they make you bring your seat back to the full upright and locked position?

A. Because they do not like you.

One final thought: Although most of us feel anxiety about flying, it's important to remember that, statistically, commercial airline travel is more than THREE TIMES as safe as snake handling. So buckle up, and have a great flight! I myself will be on Air Kyrgyzstan.

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By Mary Blume
International Herald Tribune

PARIS — The river Arno originates along the western slope of the Apennines and ends in the Ligurian sea at Pisa, passing most famously through Florence where, despite many floods, the latest in 1996, it looks, Mark Twain said in 1869, "like a great historical creek with four feet in the channel and some scows floating around. It would be a very plausible river if they could pump some water into it."

It would have been a very different river had a plan succeeded to divert the Arno and turn Florence into a thriving seaport. The scheme should have worked: It had the support of city leaders and its architects were two of history's greatest minds, Leonardo da Vinci and Niccolò Machiavelli.

The story of their unlikely collaboration in 1503-1504 is told in "Fortune Is a River" by Roger D. Masters, published next week by The Free Press in New York. A Dartmouth professor of government,

Masters has had to rely on a degree of conjecture since neither of the great men left a record of his role in the failed project or even admitted working with the other. "This need not be surprising: few people go out of their way to attract attention to a costly political disaster for which they can be held responsible," Masters explained.

They were not the first to try to move a river: The architect Brunelleschi tried to flood Lucca, and failed. Leonardo's more ambitious plan was not to flood a city but to deprive Florence's enemies in Pisa of water while making the river navigable from Florence to the sea, enriching the city and opening it to the great maritime explorations of the time.

The means included building locks and canals and making a tunnel under a mountain



were maps discovered in Madrid indicating that while in Borgia's employ Leonardo had carefully studied the headwaters of the Arno. Details of the map would have been more interesting to Florence than to the unpredictable Borgia.

For the spring and summer of 1503 Leonardo's chief activity seems to have been the Arno project, although he also had been working on the "Mona Lisa." Masters argues that the meandering river and mountain in the painting's background suggest that Leonardo had more on his mind than his bilious sitter.

Unable to launch a direct military assault on Pisa and intrigued at the thought of making Florence into a seaport, the city finally voted to proceed with diverting the Arno to a new bed, at some points 20 miles from its natural course. Machiavelli named the commissioner and hydraulic engineer who were to direct the work, every detail of which had been planned by Leonardo, down to time-and-motion studies to determine the number of workers needed.

The hydraulic engineer, Colombo, changed the design, underestimated the work force required and failed to build the digging machine that Leonardo had invented.

The river quickly returned to its old course, part of the works collapsed, the project was dropped and the war with Pisa went on for five more years.

Schemes to divert rivers continue into our times. One even grander than the Arno project came up not that long ago, it seems, when some rich Texans decided to move the Mississippi Delta over to the Texas panhandle. Despite support from local politicians, the plan sank.

PEOPLE

GENETIC tests on remains of Yves Montand prove that he did not father a young woman who claimed for years to be his love child, judicial sources said. Throughout his life, Montand had denied that Aurore Drossart, 24, was his daughter, but he refused to undergo DNA tests to lay the matter to rest. He died in 1991 at the age of 70. After years of trying, Drossart and her mother, Anne, won a court-ordered exhumation of Montand's corpse from Pere-Lachaise Cemetery in Paris. It was carried out in March. The DNA tests were negative, according to the judicial sources. Catherine Allegret, Montand's adopted daughter with his wife of 36 years, Simone Signoret, told France Info radio, "Montand will be able to rest in peace." Signoret died in 1985, and Montand had a child, Valentin, in 1988 with his companion Carole Anniel. Geneticists at the Institut Medicolegal in Paris used DNA samples taken from Montand's teeth to carry out the tests. The results reverse a Paris court's finding four years ago that Montand was Drossart's father, based on physical resemblance as well as the fact the Montand had refused twice to undergo blood tests to verify his claim.

The star-studded charity concert with the tenor Luciano Pavarotti, Stevie Wonder and the Spice Girls raised nearly 4.3 billion lire (\$2.4 million) for Liberian children, the organizers said. The money is to go to construction of a village for child victims of the civil war in Liberia that ended last year.

A judge in Boston ruled that Woody Harrelson assaulted two photographers and unlawfully removed film from one of their cameras, but he left it up to a jury to determine damages in a lawsuit against the actor. Harrelson had testified that he was trying to protect the privacy of his 2-year-old daughter when he scuffled with a Star magazine photographer, Steven Connolly, and a free-lance video cameraman, Paul Adao.

A Leica camera engraved with the signature of the photographer Henri Cartier-Bresson was auctioned at Christie's in London for £25,300 (\$40,000). The Leica was produced to mark the 90th anniversary of the photographer's birth and was sold to an anonymous British collector. The money from the sale was given to a French charity.



Aurore Drossart has lost to a series of genetic tests.

What to do when the pilot can't find his magic feather.

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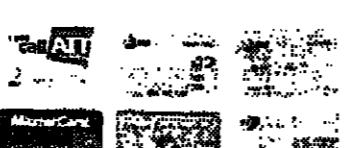
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